

2017

Annual Report



FIERA MILANO

This document contains a faithful translation into English of the original report in Italian Relazione Finanziaria Annuale 2017. However, for information about Fiera Milano Group reference should be made exclusively to the original report in Italian. The Italian version of the Relazione Finanziaria Annuale 2017 shall prevail upon the English version.

2017

Annual Report



FIERA MILANO

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Mission



Fiera Milano offers a means for companies to grow and become more international



It contributes to economic growth



It promotes socio-economic improvement in the region in which it is based

To be rated among the leading global companies in the exhibition sector

To offer companies a more effective business platform, raise their profiles, stimulate important contacts and increase their business prospects



The Company's aims are

To facilitate the interaction of different corporate cultures, the exchange of know-how and experience and to encourage innovation

To be a leader in new growth areas worldwide while promoting Made in Italy exports

Letter to Shareholders

Dear Shareholders,

To our great satisfaction, we generated solid results in 2017 that demonstrated strong growth and a return to net profit. The 2017 exhibition calendar included some important proprietary biennial exhibitions and our business performance was undoubtedly positive, also due to a general recovery in the economy. The 40th edition of our directly organised exhibition Host – the leading event worldwide in the Horeca, food service, retail, large-scale distribution and hotel industry – had particularly strong results with a record number of 187,000 visitors (+24%). There were also good results from the exhibitions organised by third parties; Eicima, in the motorcycle sector, had a record edition with a 24% increase in visitors. In the congress sector, ERS, the most important international congress on respiratory illnesses, held at MiCo - Milano Congressi, brought more than 22,000 delegates to Milan; this was a record number for an event of this kind and had a beneficial effect on the whole region. Fiera Milano's vocation is not just to promote business between different companies but also to promote culture through events organised around the region: for example, Art Week during the week of the Miart exhibition, and Milano Food City, food events held outside the exhibition centre during the Tuttofood fair. This is our way of creating an entire culture around businesses and is successfully achieved through collaboration with all types of entities. Amongst the most important events that Fiera Milano had the honour of holding in 2017 were the visit of President Obama on the occasion of the food summit promoted by Seeds & Chips during the Tuttofood exhibition and that of President Mattarella, who cut the ribbon to inaugurate the 56th edition of the Salone del Mobile.



In 2017, the corporate governance was reviewed. There is a new Board of Directors that is entirely made up of Independent Directors, who have a variety of competences and professional experience; the Board also exceeds the requirements of gender balance under the law. Many new initiatives were implemented that included: new procedures that were adopted at Group level, the appointment of a new Supervisory Committee, a revised system for contracts and procurement management, and reinforcement of the control structures. These measures, which led to the judicial administration order being lifted in September, and the replacement of management that is currently taking place have ensured that the Company is in the best condition to maximise and take advantage of any business opportunities that may arise. Certain cost efficiencies were implemented in the fourth quarter last year and their impact was already visible in 2017. We have implemented further rationalisation measures this year and this will continue throughout 2018.

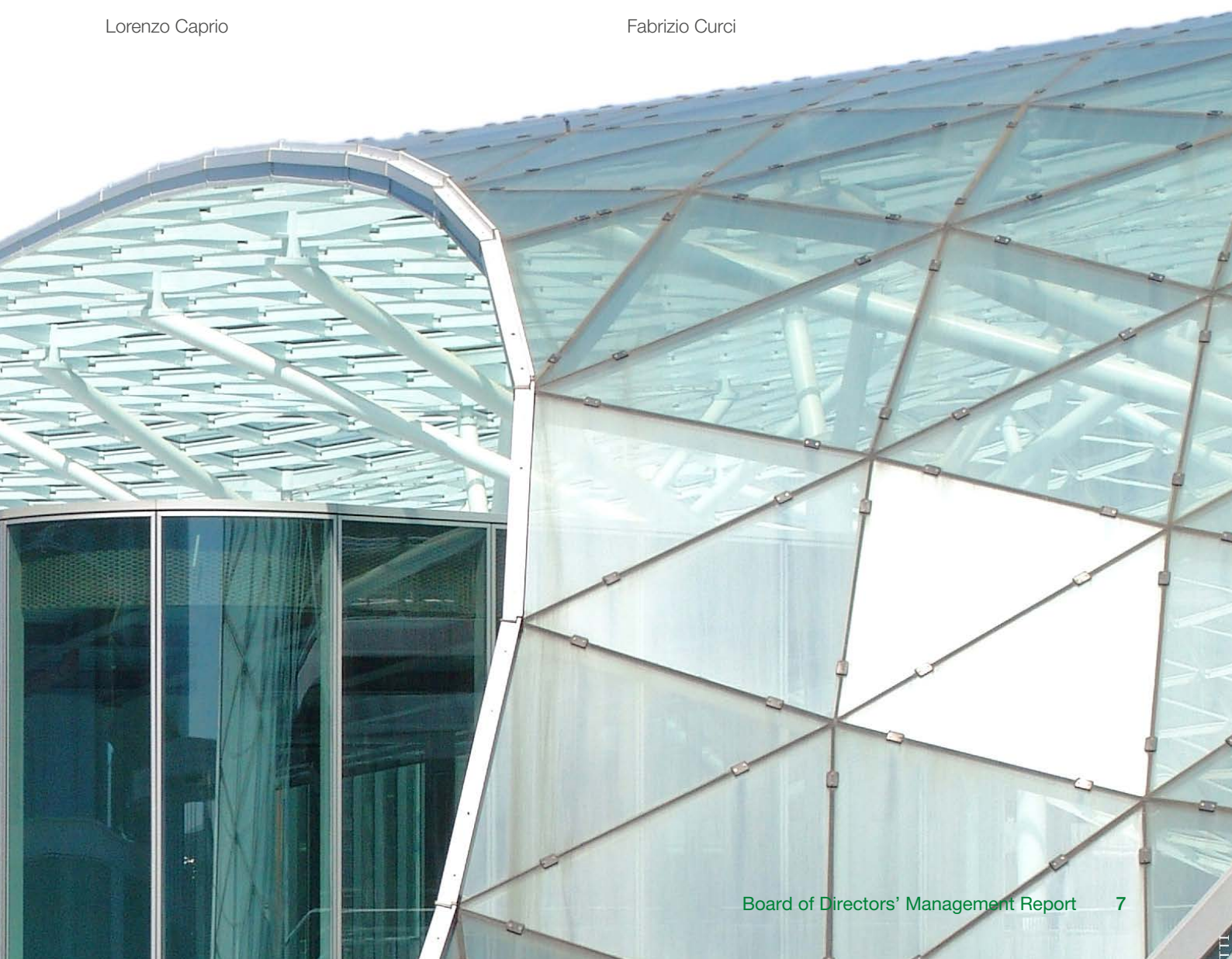
We wish to thank all our stakeholders – collaborators, clients and, of course, you, our shareholders – who continued to believe in Fiera Milano in what proved an important year of renewal for the Company. The excellence that characterises Fiera Milano, the renewed and reinforced corporate governance, the improvement in the economic scenario and the available financial resources all provide an optimal base on which to build our new Industrial Plan. We shall present the Plan in the next few months and it will illustrate the medium/long-term development strategy of Fiera Milano aimed at creating value for all our stakeholders.

The Chairperson

Lorenzo Caprio

The Chief Executive Officer

Fabrizio Curci



History of the Group



The Fiera Campionaria Internazionale was held on the ramparts of Port Venezia, Milan, before transferring in 1923 to a permanent site in the area now occupied by fieramilanocity.



1920



The Portello site was extended with the opening of three new large pavilions that increased the available exhibition space by 74,000 square metres gross, giving a total of over 348,000 square metres of space.



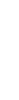
1997



In December, Fiera Milano SpA was listed on the Italian stock market. Fiera Milano increased its range of activities through the acquisition of some important exhibition organisers and enhanced its offering in stand-fitting services, catering, trade publications and internet services.



2002



On 12 September, the Fiera Campionaria Internazionale inaugurated the new Fiera Milano exhibition site that had been rebuilt following its destruction during World War II.



In February, Ente Autonomo Fiera Internazionale di Milano, a private foundation, was constituted. In October, the Foundation passed the management of the exhibition sites, the organisation of exhibitions and supply of exhibition services and the congress activities to Fiera Milano SpA.

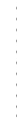




An intense internationalisation process started with the signing of a joint venture with Deutsche Messe, the owner of the Hannover exhibition site, covering regions outside Europe.



The World Expo 2015 was held in Milan with great success. Fiera Milano was the Official Partner for Operations. Fiera Milano Group provided stand-fitting, logistics, and structure management services to the company Expo 2015 and to several of the countries participating in the event.



2005



On 31 March, the new Fiera Milano exhibition complex on the outskirts of Milan was inaugurated; the site has 345,000 square metres of exhibition space. Some of the pavilions of the downtown site continued in use.



2008



MiCo – Milano Congressi opened: this is the largest and most modern congress centre in Europe with capacity for 18,000 delegates. It is managed by Fiera Milano Congressi and was built by Fondazione Fiera Milano through the conversion of part of the fieramilanocity exhibition site.



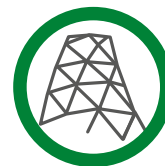
2011

2015

2017



The number of exhibitions in the Fiera Milano calendar grew. The Group exhibition sites hosted several new events during the year that included Tempo di Libri, TheOneMilano, Versilia Yachting Rendez-Vous, Lamiera and Expo Ferroviaria.



Group structure



Italian Exhibitions



Foreign Exhibitions



FIERA MILANO

100%

ipack.ima s.p.a.
Connecting businesses

49%

ipack.ima s.r.l.
Connecting businesses

51%

**LA FABBRICA
DEL LIBRO**

99.99%

**FIERA MILANO
EUROFAIRS**

99.96%

0.04%

CIPA FIERA MILANO

100%

**FIERA MILANO
EXHIBITIONS AFRICA**

49%

**Deutsche Messe
Interactive** FIERA MILANO

Hannover Milano
Global Germany

99.99%

FIERA MILANO INDIA

100%

FIERA MILANO RUSSIA



Stand-fitting services



Media



Congresses

0.01%

100%



100%



100%



51%



100%

Hannover Milano Fairs Shanghai
Hannover Milano Fairs China

99.99%

Hannover Milano Fairs India

50%



Key Group values



Ethics

Integrity, transparency, impartiality and correctness in executing its business and in all relationships of whatever type or nature.

Client satisfaction



Maximum focus on clients (organisers, exhibitors, visitors) ensuring a range of quality services that meet their needs and expectations.



Making the best possible use of the assets managed

Continuous monitoring and timely intervention for the most effective use of the exhibition facilities, to provide the most efficient services, and to offer clients areas that are not merely functional and secure but are also welcoming and aesthetically pleasing.

Professionalism



The Company offers a combination of skills, attention to detail, responsibility, diligence, conscientiousness and exceptional preparation in all its business activities.



Collaboration

Sharing of information and knowledge to create value and validate professional competence while overcoming organisational restrictions.

Innovation



A search for innovative and original solutions, finding new approaches to any situation or problem and conceiving/ generating original ideas.



Sustainability

Generate value for the region, support its community and businesses and identify synergies that help protect the environment.

Safety



An explicit undertaking to extend and strengthen workplace safety and an awareness of potential risks by using all the resources necessary for guaranteeing the health and safety of all who work with Fiera Milano.



Highlights



Performance

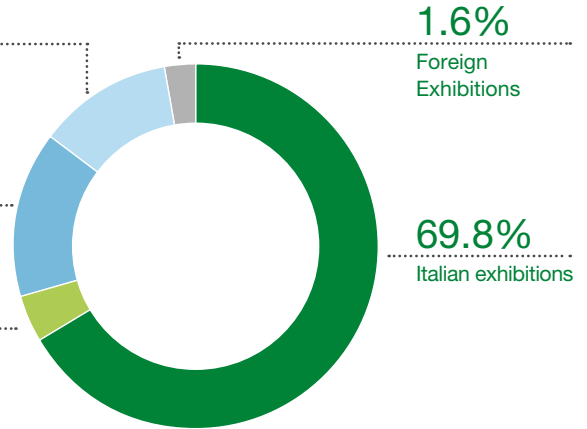
Revenues

Euro **271** million
of which
Euro **5** million generated abroad

14.7%
Congresses

10.5%
Stand-fitting services

3.4%
Media



Business

Exhibitions

83
of which 29 abroad

Exhibitors

36,385
of which 8,600 from abroad



Exhibition space

Net space occupied

1,888,965
square metres
of which 371,760 abroad

Total gross exhibition space

388,000
square metres
of which
345,000 **fieramilano**
43,000 **fieramilanocity**



Human resources

Group employees

693
of which 100 abroad

♀ **60%** of which
23% executives
and 45% office staff

Business Model

Fiera Milano Group is involved in all the characteristic phases of the exhibition and congress sector and is one of the leading international integrated companies in this sector.



Corporate Bodies and Independent Auditor

BOARD OF DIRECTORS

| | |
|-----------------------------|---------------------------|
| Lorenzo Caprio | Chairperson* |
| Fabrizio Curci | Chief Executive Officer** |
| Alberto Baldan | Director* |
| Stefania Chiaruttini | Director* |
| Gianpietro Corbari | Director* |
| Francesca Golfetto | Director* |
| Angelo Meregalli | Director* |
| Marina Natale | Director*** |
| Elena Vasco | Director* |

* Independent Director under Article 148, paragraph 3 of Legislative Decree of 24 February 1998 and the Self-regulatory Code of Borsa Italiana.

** Fabrizio Curci has been the Chief Executive Officer of the Company since 1 September 2017.

*** Marina Natale was the Chief Executive Officer of the Company until 31 August 2017.

CONTROL AND RISK COMMITTEE*

Stefania Chiaruttini
Francesca Golfetto
Angelo Meregalli

APPOINTMENTS AND REMUNERATION COMMITTEE**

Elena Vasco
Alberto Baldan
Marina Natale

* Lorenzo Caprio was a member and Chairperson of the Control and Risk Management Committee until 23 October 2017, the date of his resignation from these positions. On the same date, the Board of Directors of the Company decided that the Control and Risk Management Committee should comprise three members and appointed Stefania Chiaruttini as the Chairperson of this Committee.

** Gianpietro Corbari was a member and Chairperson of the Appointments and Remuneration Committee until 23 October 2017, the date of his resignation from these positions. On the same date, the Board of Directors of the Company appointed Marina Natale as the new member of this Committee and Elena Vasco as its Chairperson.

BOARD OF STATUTORY AUDITORS

| | |
|-------------------------------------|--------------------|
| Federica Palmira Nolli | Chairperson |
| Antonio Guastoni | Statutory Auditor |
| Carmine Pallino | Statutory Auditor |
| Francesca Maria D'Alessandro | Substitute Auditor |
| Alessandro Carlo Galli | Substitute Auditor |

MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL STATEMENTS UNDER LAW 262/2005

Sebastiano Carbone

SUPERVISORY COMMITTEE UNDER LEGISLATIVE DECREE 231/01

Piero Antonio Capitini

Luigi Bricocoli

Jean Paule Castagno

The Board of Directors was appointed by the Shareholders' Meeting of 21 April 2017 and the mandates of the Directors will expire at the Shareholders' Meeting to approve the Financial Statements at 31 December 2017.

On 25 July 2017, the Shareholders' Meeting increased the number of Board Directors to nine and appointed Fabrizio Curci as the new member of the Board effective from 1 September 2017 until the date the mandates of the other Directors expire.

On the same date, the Board of Directors appointed Fabrizio Curci as Chief Executive Officer and General Manager of Fiera Milano SpA effective from 1 September 2017.

The Board of Directors is invested with the widest powers for the ordinary and extraordinary management of the Company; it has the power to carry out all acts it deems appropriate or useful to attain the corporate objectives, except for those which, pursuant to law, are reserved for the Shareholders' Meeting.

Under the law and the Company Articles of Association, the Chairperson, in addition to being the legal representative of the Company, has all the powers to oversee and carry out external institutional relations.

The Chief Executive Officer has all the powers necessary for the ordinary administration and management of the Company, except for those that under the law and Company Articles of Association are reserved for the Board of Directors.

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of 29 April 2015 and its mandate expires at the Shareholders' Meeting to approve the Financial Statements at 31 December 2017.

INDEPENDENT AUDITOR

EY SpA

The mandate, given by the Shareholders' Meeting of 29 April 2014, is for the financial years 2014-2022.

Notice of Convocation of the Ordinary Meeting of Shareholders



FIERA MILANO

FIERA MILANO SpA

Registered office in Milan, Piazzale Carlo Magno, 1

Operational and administrative headquarters in Rho (MI), Strada Statale del Sempione, 28

Share capital Euro 42,445,141.00 fully paid-up

Milan Company Register,

Tax code and VAT number 13194800150

Notice of convocation of the Ordinary Shareholders' Meeting

The ordinary meeting of Shareholders of Fiera Milano S.p.A. is convened once in Rho (Milan), in the Auditorium of the Centro Servizi of the Exhibition Site, Strada Statale del Sempione 28, (reserved parking available on entering from Porta Sud), on 23 April 2018 at 15.00 hours to deliberate and approve the following items on the

Agenda

- 1.** The Financial Statements at 31 December 2017, the Board of Directors' Management Report, the Report of the Board of Statutory Auditors, and the Report of the independent auditors. Presentation of the Consolidated Financial Statements at 31 December 2017 and the Consolidated Disclosure of Non-Financial Information under Legislative Decree no. 254/2016.
- 2.** Appointment of the Board of Statutory Auditors.
 - 2.1** Appointment of members of the Board of Statutory Auditors and its Chairperson.
 - 2.2** Approval of the remuneration of the Board of Statutory Auditors.
- 3.** Report on Remuneration in accordance with Article 123-ter of Legislative Decree 58/98.
- 4.** Approval of the new Incentive scheme pursuant to Article 114-bis of Legislative Decree 58/98.
- 5.** Authority to acquire and dispose of treasury shares under Articles 2357 and 2357-ter of the Italian Civil Code following prior cancellation of the authority granted by the Shareholders' Meeting of 21 April 2017.

Share capital

The issued and fully paid-up share capital is Euro 42,445,141.00 (forty-two million four hundred and forty-five thousand one hundred and forty-one) made up of no. 71,917,829 (seventy-one million nine hundred and seventeen thousand eight hundred and twenty-nine) registered shares with no nominal value. The shares are indivisible and each carries one voting right except for treasury shares held either directly or indirectly, which do not have this right. At today's date, the Company holds directly and indirectly no. 939,018 treasury shares, equal to 1.31% of the share capital.

Shareholders who alone or collectively represent at least one-fortieth of the Company's share capital may request, in writing, additions to the agenda of the meeting within ten days of publication of this notice in accordance with Article 126-*bis* of Legislative Decree 58/1998 (the "Consolidated Finance Act") and Article 10.3 of the Company Articles of Association specifying in the request the additional topics they wish to discuss or any proposals for additional discussions on items already on the Agenda. Any such request must be sent, together with certification of ownership of the shares, by registered delivery, with proof of receipt, to the operational and administrative offices of the Company in Rho (Milan), Strada Statale del Sempione 28 (Investor Relations Department) or by e-mail to the e-mail address investor.relations@fieramilano.it. Within the same time limit and in the same way, a report that gives the reasons for the request for additional topics to be deliberated or for additional discussions of items already on the Agenda must be delivered to the Board of Directors of the Company. Requests for additions to the Agenda are not permitted if they concern topics that the Shareholders' Meeting has been asked to approve by the Directors under applicable law or pertain to a plan or report prepared by the Directors.

Additions to the Agenda and tabling of new resolutions

In accordance with law and Article 12 of the Company Articles of Association, legitimate attendance at the Shareholders' Meeting and the exercise of the right to vote must be proved by a communication to the Company from an intermediary that agrees with the latter's accounting records on behalf of the person having the right to vote on the basis of evidence of possession of Company shares at the end of the accounting day on the seventh trading day preceding the date set for the Shareholders' Meeting (*i.e.* 12 April 2018, the "record date"); credit or debit registrations to the share account after this time will not be considered for the legitimate exercise of voting rights at the Shareholders' Meeting. Therefore, those persons or entities that appear as shareholders of the Company after this date will not be permitted to attend or vote in the Shareholders' Meeting. The aforementioned communication from the intermediary must reach the Company by the end of the third stock market trading day prior to the date set for the Shareholders' Meeting (*i.e.* by 18 April 2018). Those persons whose communication arrives at the Company after this date, as long as it arrives before the start of the Shareholders' Meeting that has been convened, may still legitimately attend and vote at the Meeting. It should be noted that the communication to the Company by the authorised intermediary is only released on the request of the person or entity entitled to this right.

Legitimate attendance at the Shareholders' Meeting

There exists no procedure for voting by post or electronically.

Any person who may legitimately attend the Shareholders' Meeting may be represented by a written proxy according to the provisions of enacted law if the person who may legitimately vote signs the proxy form that is available on the Company website www.fieramilano.it (under *Investor Relations/Corporate Governance/Shareholders' Meeting*). Notification of the proxy may be made by sending the form to the operational and administrative headquarters of the Company in Rho (Milan), Strada Statale del Sempione 28 (Investor Relations Department) or by e-mail to the e-mail address investor.relations@fieramilano.it. Proxies attending the Shareholders' Meeting on behalf of shareholders must demonstrate, assuming full responsibility, that they have a proxy form that is identical to the original proxy notified and the identities of the shareholders that gave the proxies.

Proxy attendance at the Shareholders' Meeting

The proxy may also be freely given, with instructions on how to vote, to Computershare S.p.A., which has been appointed for this purpose by the Company, in accordance with Article 135-*undecies* of the Consolidated Finance Act. This may be done by signing the proxy form available from 13 March 2018 (*i.e.* the date the Notice of the Shareholders' Meeting is published) on the Company website www.fieramilano.it (under *Investor Relations/Corporate Governance/Shareholders' Meetings*) on condition that the original is received by Computershare S.p.A. at its registered office in via Lorenzo Mascheroni 19, 20145 Milan. A fax must be sent in advance to +39-02-46776850 or as an e-mail attachment to the e-mail address ufficiomilano@pecserviziitolitoli.it by the end of the second stock market trading day preceding the date of the Shareholders' Meeting (*i.e.* by 19 April 2018). Proxies given in this manner may only be used for proposals where voting instructions have also been given. The proxy and the voting instructions may be retracted within the same time period above (*i.e.* by 19 April 2018).

Right to table questions regarding items on the Agenda

Shareholders may table questions regarding items on the agenda of the Shareholders' Meeting before the Meeting in accordance with Article 127-ter of the Consolidated Finance Act. The questions must be sent by registered delivery, with proof of receipt, to the operational and administrative offices of the Company in Rho (Milan), Strada Statale del Sempione 28 (Investor Relations Department) or by e-mail to the e-mail address investor.relations@fieramilano.it. Questions received by the third day preceding the date of the only convocation of the Shareholders' Meeting (*i.e.* by 20 April 2018) will be answered, at the latest, during the Shareholders' Meeting and the Company reserves the right to give a single answer to questions covering the same item.

Appointment of the Board of Statutory Auditors and its Chairperson

With reference to Item 2 on the Agenda, it should be remembered that, under the law, prevailing regulations and Article 20 of the Company Articles of Association available on the Company website www.fieramilano.it in the section *Investor Relations/Corporate Governance/Company Articles of Association*, Statutory Auditors are appointed from lists presented by shareholders.

Statutory Auditors are appointed based on lists presented by shareholders who, alone or with other shareholders, represent at least 2.5% of the share capital with voting rights in Ordinary Shareholders' Meetings, as required under Article 20 of the Company Articles of Association and Consob Resolution no. 20273 of 24 January 2018.

The lists should not contain more candidates than there are positions to be filled (and the names should be numbered sequentially) and must include candidates of both genders.

The lists – each composed of two sections (*i.e.* one section for candidates to be elected as Standing Statutory Auditors and one for candidates to be elected as Substitute Statutory Auditors) – must be signed by those who presented the lists and delivered and deposited at the registered office or, preferably, at the operational and administrative offices of the Company in Rho (Milan), Strada Statale del Sempione 28, Centro Servizi, Office Reception or alternatively sent by e-mail to the e-mail address investor.relations@fieramilano.it by the twenty-fifth day prior to the date of the only convocation of the Shareholders' Meeting (*i.e.* by 29 March 2018). Each list must be accompanied by information relating to the identities of the shareholders presenting the list and the percentage of shares they hold and by authentication, released in accordance with law, by authorised persons attesting to the ownership of the shares.

The authentication proving ownership of the shares on the date the lists were deposited (released in accordance with law by authorised persons) may be presented later than the aforementioned date as long as it is by the twenty-first day prior to the date of the only convocation of the Shareholders' Meeting (*i.e.* by 3 April 2018).

With the lists and aforementioned information (and by 29 March 2018 in the same ways as for the lists and the aforementioned information) must be deposited:

- (i) declarations in which the individual candidates accept their candidacy and testify, of their own responsibility, that no reasons of ineligibility or incompatibility exist and that they meet the legal and regulatory requirements to be appointed. In addition to the above, in the event a list is presented by shareholders that do not, including jointly, hold a controlling or majority interest in the Company, Article 144-sexies, paragraph 4, of the Listing Rules requires that this list be accompanied by a declaration testifying to the absence of relations with one or more reference shareholders as defined in Article 144-quinquies of the Listing Rules;

(ii) exhaustive information on the personal and professional profiles of the candidates (*i.e.* a *curriculum vitae*), with a list of the administration and control positions held in other companies, also in the past, by each candidate (this list must be updated and communicated to the Company immediately should any changes occur prior to the Shareholders' Meeting).

If, by the end of the twenty-fifth day prior to the date of the only convocation of the Shareholders' Meeting (*i.e.* by 29 March 2018), only one list or only lists from shareholders who, under Article 144-*sexies*, paragraph 4, of the Listing Rules are connected in such a way as described in Article 144-*quinquies* of the Listing Rules, have been deposited, the period in which lists may be presented will be extended by three calendar days – meaning that lists may be presented by 3 April 2018 - and the shareholding required to present lists will be halved (*i.e.* to 1.25% of the share capital with voting rights in the Ordinary Shareholders' Meeting).

Each candidate may only appear on one list and may not appear if they already hold the position of Statutory Auditor in five other listed companies.

The Chairperson of the Board of Statutory Auditors is the first candidate on the list obtaining the second highest number of votes, according to the law and Article 20.2 of the Company Articles of Association.

The current Self-regulatory Code for Listed Companies recommends that Statutory Auditors of listed companies be chosen from persons that can be considered independent under the same criteria used to assess the independence of directors under Article 3 of the Self-regulatory Code.

Lists of candidates for the Board of Statutory Auditors that fail to comply with the relative legal requirements shall not be recognised as having been presented.

The Board of Directors' Management Report and any other documentation relating to matters on the agenda required under prevailing law will be made available to shareholders and members of the public within the time limits laid down by law. They will be available at the registered office of the Company and at its operational and administrative offices in Rho (Milan), Strada Statale del Sempione 28, Centro Servizi, Office Reception, on the Company website www.fieramilano.it under *Investor Relations/Corporate Governance/ Shareholders' Meetings*, as well as at Borsa Italiana S.p.A. and on the electronic storage website www.emarketstorage.com. Shareholders may obtain copies of all the aforementioned documentation.

**Documentation and
Information**

Rho (Milan), 12 March 2018

Chairperson of the Board of Directors

Lorenzo Caprio

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Report on Corporate Governance and Ownership Structure at 31 December 2017

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Proposals for the Ordinary Shareholders' Meeting
(Report under Article 125-ter, paragraph 1 of Legislative Decree of 24 February 1998 no. 58 and subsequent amendments)

Summary of results and significant events during the year

In the context of a recovering economy, the results for the 2017 financial year showed a strong improvement and a return to profit. The exhibition business benefited from the presence of some important directly organised proprietary exhibitions that included Host and Tuttofood. The strong performance of the congress segment was largely due to the success of ERS, an international congress held in the MiCo Congress Centre and to all the services related to this event. These positive factors were in part offset by lower stand-fitting business volumes that, in 2016, had included certain non-exhibition contracts and one-off contracts linked to Expo 2015.

In 2017, the corporate governance processes were renewed and numerous initiatives were implemented. These included: the new procedures issued at Group level, the appointment of a new Supervisory Committee, a review of both the procurement system and the management of supplier contracts, and the reinforcement of the control structure.

The table below gives the key financial figures of the Group. When reading these figures, it should be remembered that the exhibition business is seasonal due to the existence of exhibitions that have a biennial and multi-annual frequency. This makes a comparison between financial years more difficult. It should be noted that there were no atypical and/or unusual transactions or significant events and non-recurring transactions during the financial year under review. The Explanatory and Supplementary Notes to the Accounts give details and information on related-party transactions.

Fiera Milano Group

| Summary of key figures (Amounts in € '000) | Full year 31/12/17 | Full year 31/12/16 restated |
|--|-----------------------|--------------------------------|
| Revenues from sales and services | 271,327 | 221,041 |
| EBITDA (a) | 15,060 | (1,825) |
| EBIT | 5,372 | (22,994) |
| Net profit/(loss) (continuing operations) | 1,738 | (18,674) |
| Net profit/(loss) (discontinued operations) | - | (4,176) |
| Net profit/(loss) | 1,738 | (22,850) |
| - Attributable to the shareholders of the controlling entity | 1,637 | (22,794) |
| - Attributable to non-controlling interests | 101 | (56) |
| Cash flow of the Group and non-controlling interests (b) | 17,267 | 3,796 |
| Net capital employed (c) | 63,830 | 99,995 |
| covered by: | | |
| Equity attributable to the Group | 62,471 | 61,006 |
| Equity attributable to non-controlling interests | 564 | 673 |
| Net financial debt/(cash) continuing operations and assets held for sale | 795 | 38,316 |
| Investments (continuing operations and assets held for sale) | 4,392 | 7,387 |
| Employees (no. of permanent employees at year end) | 693 | 725 |

(a) EBITDA is the operating result before depreciation and amortisation and adjustments to asset values.

(b) Cash flow is the net result for the financial year, plus depreciation and amortisation, provisions and adjustments to asset values.

(c) Net capital employed is non-current assets, non-current liabilities and net working capital.

Starting with the Consolidated Financial Statements at 31 December 2017, operating profitability will be calculated as EBITDA. The figures in the Consolidated Financial Statements at 31 December 2016 that show a figure for gross operating profit have been restated to reflect this change. The difference between EBITDA and gross operating profit is that the latter does not include Provisions for doubtful receivables and other provisions.

New initiatives and measures to optimise the exhibition portfolio

The exhibition calendar for the year under review included some new events. The new proprietary exhibitions were Tempo di Libri (an exhibition covering the Italian publishing sector) and Versilia Yachting Rendez-Vous (an event for the high-end of the boat sector) while those organised by third-parties included Lamiera (an international exhibition for the metal forming machine tool industry and all innovative technologies in this sector). The exhibition Bit (*Borsa Internazionale del Turismo*) was repositioned and the February 2018 edition saw it established as a unique monitor of trends in this sector and a significant business platform for both Italian and international operators.

Rationalisation measures abroad

On 22 February 2017, an agreement was signed for the sale of the 75% shareholding in the Chinese company Worldex Fiera Milano Exhibitions Co. Ltd. The transaction price was Euro 2.750 million plus a deferred payment of maximum Euro 1.000 million linked to the attainment of pre-established results for the three-year period 2017-2019. On 24 April 2017, when the new business license was received from the Chinese authorities, the transaction was finalised. This sale was part of the strategy to concentrate all Group activities in China in the joint venture with the Company's German partner Deutsche Messe.

Judicial administration

On 28 September 2017, the Milan Court – Prevention Court Independent Section lifted the judicial administration order. This followed the lifting of a similar order on the subsidiary Nolostand SpA on 20 June 2017.

In collaboration with the Court-Appointed Administrator, the Company implemented a series of initiatives to improve, rectify and establish new rules that would ensure more effective and secure business management using new working methodologies and models. There was a strong focus on the procedures and controls for the Model under Legislative Decree 231/01 with the introduction of a new Supervisory Committee, new Group procedures and a new system governing procurement management and supplier contracts.

The judicial administration order for the stand-fitting business division of the Company had been imposed on 11 October and was widened on 27 January 2017.

Other information

On 6 April 2017 and on 1 June 2017, Fiera Milano SpA, as required by the business plan of the start-up company La Fabbrica del Libro SpA, made two share capital payments totalling Euro 1.473 million. On 19 December 2017, a further payment of Euro 0.499 million was made for a future share capital increase to cover the accumulated losses expected at 31 December 2018.

On 13 May 2017, to strengthen the capital structure of the subsidiary Fiera Milano Exhibitions Africa Pty Ltd, Fiera Milano SpA approved a transaction totalling Euro 2.222 million that waived a loan of Euro 1.522 million given the company and paid a further sum of Euro 0.700 million as part of a share capital increase.

On 23 October 2017, to strengthen the capital structure of the Brazilian subsidiary, Eurofairs International Consultoria e Participações Ltda, Fiera Milano SpA approved a transaction totalling Euro 3.128 million that waived a loan of Euro 1.628 million given the company and paid a further sum of Euro 1.500 million as part of a share capital increase.

On 19 December 2017, Fiera Milano SpA paid Euro 0.700 million for a future share capital increase of Fiera Milano Media SpA to bring the equity of the company above the threshold of one third required by Article 2446 of the Italian Civil Code.

On 19 December 2017, Fiera Milano SpA paid Euro 0.032 million to become a member of the Golden Card committee that carries out promotional activities among exhibition organisers.

Macroeconomic and reference sector background

Macroeconomic trends

International recovery is continuing after long years of economic crisis: international trade continues to increase driven by an improvement in the manufacturing sector and by investments. Since the end of 2017, there has been a widespread recovery among the advanced economies and, in 2018, the emerging markets are also expected to show signs of recovery.

Eurozone

GDP forecasts

+2,4%
in 2017 and
+2,1%
in 2018

There is evidence of growth in the Eurozone: the trend in consumption and investments accelerated in 2017 and GDP forecasts rose (+2.4% for 2017 and +2.1% for 2018); household and business confidence reached 2000 levels due to the contribution from manufacturing industry and consumption. However, there remains a risk of political uncertainty: the Brexit negotiations, the crisis in Catalonia in Spain and the Italian elections have all affected the economy. The US economy has continued to grow: GDP rose 2.3% in 2017 and is expected to rise again in 2018 (+2.5%). It is benefiting both from growth in consumption and in industrial investments while unemployment is at low levels. However, 2019 forecasts indicate slowing growth (2.1%) due to interest rate normalisation and restrictive policies on immigration. In 2017, Japanese GDP grew on the back of foreign demand, private investments and expanding industrial production. The uncertainty caused by Brexit affected the United Kingdom, which experienced a fall in household consumption: 2017 GDP rose 1.6% but is expected to slow to 1.3% in 2018.

World trade annual % change



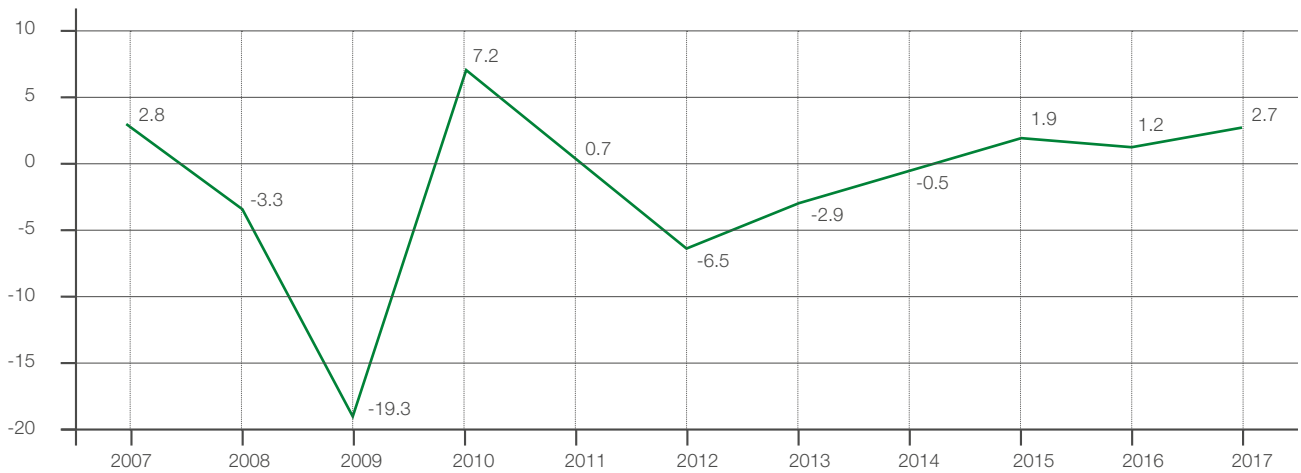
According to the Centro Studi Confindustria, Italian GDP rose 1.5% in 2017 and its 2018 forecasts have risen from 1.3% to 1.5%. The 2019 forecast is 1.2%. Consumption are forecast to have grown 1.5% in 2017, and to grow 1.3% in 2018 and 1.1% in 2019. Investments are growing strongly: +3.4% in 2017, +3.3% in 2018 and +2.4% in 2019. Spending on machinery and automotive vehicles continues with forecasts of +5.3% in 2017, +4.4% in 2018 and +2.6% in 2019. The effects of the industrial policies under the National Industrial Plan 4.0 – super depreciation of 140% on fixed assets and software and hyper amortisation of 250% for new

fixed assets to embrace Industry 4.0, tax credits for research and development spending and a focus on start-ups and innovative manufacturing processes - have boosted both the market and innovation, a prerequisite for a recovery in the exhibition sector.

Lastly, even the construction sector, the sector most hit by the economic crisis, is showing signs of recovery with investments in construction +1.2% in 2017 and forecast to be +2.0% in 2018 and +2.2% in 2019.

The ISTAT figure for 2017 industrial production is +2.7% year-on-year, an increase following the slowdown in growth in 2015 and 2016, and confirms the positive trend that started in 2013.

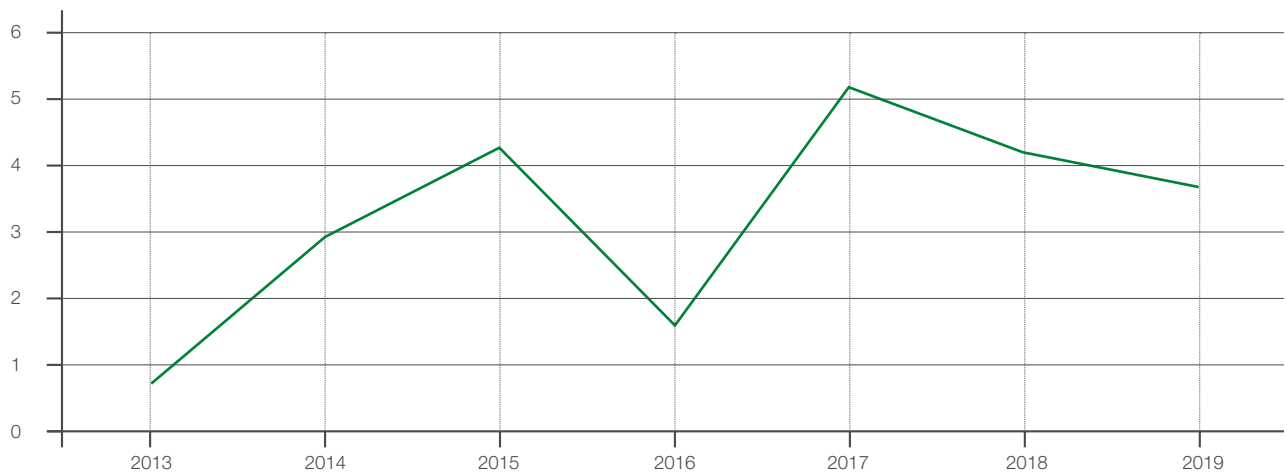
Manufacturing activity – percentage change compared to the previous financial year



Source: ISTAT, monthly industrial production figures; preliminary figure for 2017

Italian exports rose significantly: +5.2% in 2017 with forecasts of +4.2% and +3.7% for 2018 and 2019 respectively.

Percentage change in exports of goods and services



Source: Centro Studi Confindustria, December 2017

There is also good news from SMEs, the reference base of the Italian exhibition sector. The most recent figures indicate an improvement in the recovery rate of this business sector. Profitability remains below pre-crisis levels but growth in investments gives grounds for hope. The recession caused a decline in the number of SMEs in recent years: during 2007, the number of SMEs fell from 150,000 to 136,000. In 2015, the number started to grow again (+3.1%) and this recovery was confirmed in 2016 (+3.6%) and by the preliminary 2017 figures. Growth in the industrial production of SMEs has also meant growth in revenues. Following strong declines between 2017 and 2013 when investments almost halved, a recovery started that was confirmed by the figures for 2016: investments grew 6.2% in 2015 and 7.8% in 2016. This recovery, helped by the incentives under the National Industrial Plan 4.0 should ensure a continuation of the positive trend also in coming years.

The exhibition sector

The exhibition sector has shown a certain resilience and adaptability over the years. Despite political problems, a return to protectionist policies and a perceived fragility in the concept of free trade, the sector has stood up well to the turmoil. Companies continue to invest in exhibitions rather than in advertising. However, the market is changing: Big data analytics and digital progress have impacted the sector albeit not as much as other sectors. The boundaries between different formats are increasingly porous: exhibitions, congresses and conventions are becoming hybrid formats as new models are designed to meet the changing requirements of the market. B2B exhibitions no longer have such well-defined boundaries. Some are starting to integrate business with entertainment. In this changing environment, the need for qualified persons and the importance of attracting and retaining the necessary talent are becoming the key elements of success for companies in the exhibition sector.

Preliminary 2017 data from both CERMES–Bocconi and CFI (Comitato Fiere Industria, the exhibition section of Confindustria) paint a positive picture for the sector with a strong recovery. According to CERMES–Bocconi, international exhibitions held in Italy (approximately 75% of the total exhibition business) grew in 2017 at a rate that has not been seen for years. Total exhibition space sold in 2017 was approximately 5% higher than that of 2016 despite a lower number of multi-annual exhibitions compared to 2016. The recovery in annual exhibitions more than compensated for the fact that performance in uneven-numbered years is habitually lower than in even-numbered years. There were also good figures for exhibitors, both domestic and foreign. However, there was a small decrease in domestic visitors whilst those from outside Italy rose approximately 7%.

The exhibitions associated with CFI also performed well: there was a year-on-year increase in exhibition space sold at those held in 2017 (+7.9%), in exhibitors both domestic (+7.3%) and foreign (+9.2%), as well as in domestic visitors (+3.6%) and foreign visitors (+6.4%). The CFI figures confirm the positive trend of the CERMES–Bocconi data for the presence of foreigners at Italian exhibitions: the reason for this lies in the strength of Italian exhibitions in the important sectors known in Italian as the 4As: *Arredamento* (furniture and furnishings), *Alimentare* (food), *Automazione* (automation) and *Abbigliamento* (clothing, comprising the entire fashion industry), as well as the favourable international economic scenario. The industrial policies to promote exports also had a positive impact – the extraordinary Plan for Made in Italy – which recognised that Italian international exhibitions are an essential tool to increase exports and geographic diversification (the number of countries to which Italian SMEs export).

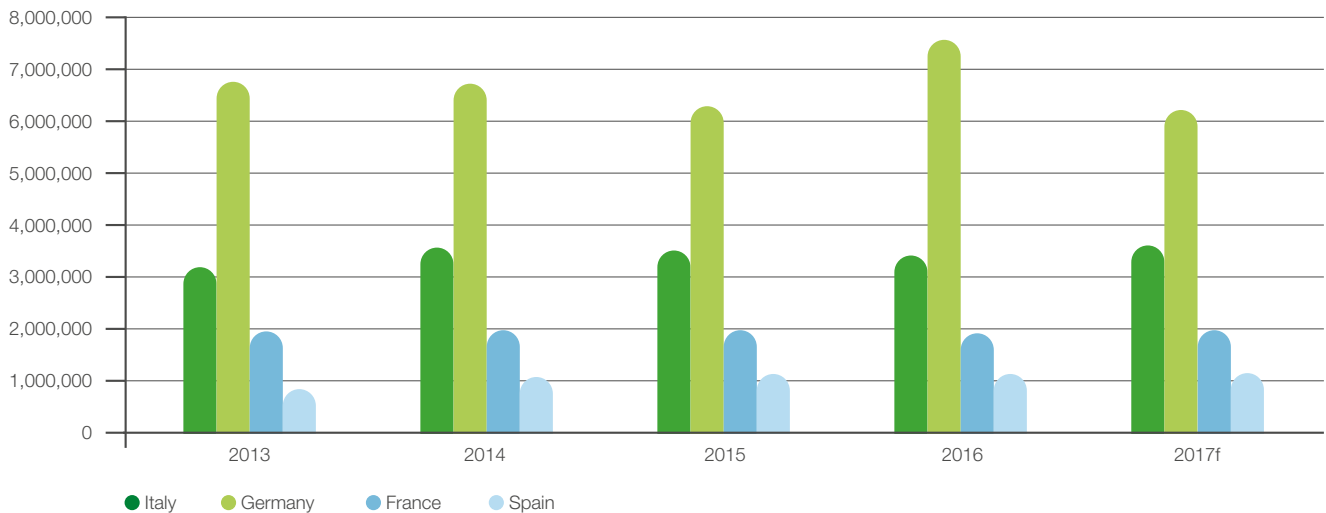
As regards other European countries, following the success in 2016 from the simultaneous presence of several large multi-annual exhibitions, exhibition space sold in Germany returned to the levels of 2015; the number of exhibitors grew compared to 2015 due to the presence of foreign exhibitors but visitor numbers declined slightly. According to AUMA, this decrease reflects a lower number of visitors to the automobile shows.

The French exhibition market was negatively impacted by the 2015 and 2016 terrorist attacks. This impact was evident in all the indicators and, in particular, on international visitor numbers.

Soon after his election, President Macron spoke about the exhibition and events sector in a video message of support to all foreign participants in French exhibitions that was shown on all main social media. The outlook for 2017 is one of slight growth driven primarily by the B2B segment.

The signals of recovery in Spain are weak with a consequent significant loss in market share.

Square metres rented out at international exhibitions



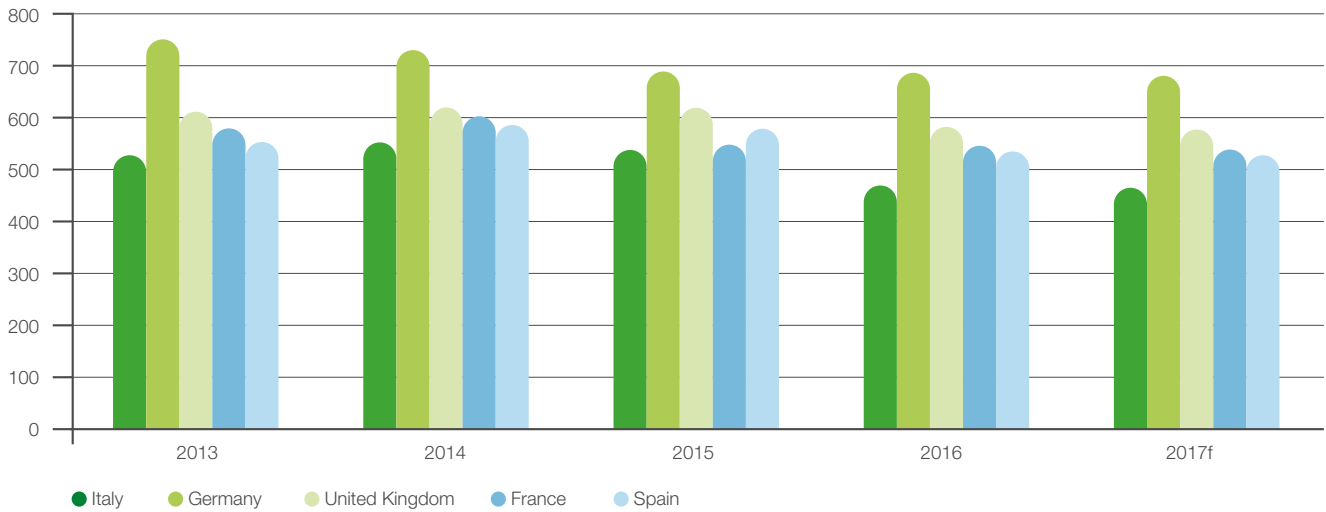
Source: Studi e Strategie Fondazione Fiera Milano using CERMES, AUMA, AMR, AFE, and OJS data. 2017 figures are estimates.

The congress sector

The congress sector is in a dynamic and tumultuous phase: new niche events that are spin-offs of large international association congresses are springing up; online communities are increasingly feeling the need to make contact face to face and new meeting formats are developing that no longer reflect the traditional distinction between association events and corporate events but have blurred boundaries and are more hybrid in nature.

These changes make it difficult to assess the true situation: organisations like ICCA (International Congress and Convention Association) that, over the years, have monitored congresses using stringent criteria now only give a picture of part of the market despite their invaluable and reputable data. Published data shows that in 2016 (the most recent year for which final figures are available) there was a decrease in the number of congresses in all the countries surveyed; this was particularly marked in Italy probably because, in 2015, Italy had benefited from the positive effect of the presence of Expo 2015. Although final figures for 2017 are not yet available, the preliminary figures show a small decrease in the number of congresses that reflects the changes in the market and increasing fragmentation.

Number of itinerant international congresses - ICCA



Source: Studi e Strategie Fondazione Fiera Milano using ICCA data. 2017 figures are estimates.

A more detailed picture of the Italian congress market is provided by the report from the *Osservatorio Italiano dei Congressi e degli Eventi*, sponsored by Federcongressi & Eventi and prepared by the Alta Scuola di Economia e Relazioni Internazionali (ASERI) of the Università Cattolica in Milan: this monitors all types of congresses and events organised in Italy (congresses, conventions, promotions, product launches and meetings of any type organised by associations, companies, political parties, trade unions and entities of all kinds).

In 2016, approximately 387,000 events were held in Italy (-1.5% year-on-year) in which 28,000,000 people took part (+8.4%); the average duration of these events was 1.4 days and the average number of attendees at each event was seventy-three. Events organised by associations accounted for 31.6% of the total and 36.3% of all attendees; this was a decrease on the figures for 2015 when they accounted for 34.8% of total events and 41.7% of total attendees. Corporate events increased and were 56.5% of all events (55.4% in 2015) and accounted for 48.9% of total attendees (47% in 2015). Events organised by institutions accounted for a smaller market share despite showing an increase in both the number of events 11.9% (9.8% in 2015) and attendees 14.8% (11.3% in 2015). The majority of events were held in Northern Italy (56.5%) and the attendees at these events were 58.7% of total attendees. Congress centres hosted the highest average number of events (147) among the various locations and 39.3% of these were organised by associations.

The outlook

Although, in recent years, the recovery in the exhibition sector has been significant, the sector has yet to reach the business levels of the early years of this century. This is primarily due to the contraction in the number of businesses in the manufacturing sector, which has a consequence for the number of exhibitors and visitors at events throughout Europe. In the future, this decrease should be compensated by a higher number of exhibitors from outside Europe.

Surveys of the opinions of those in the sector are positive. The 2017 report published by UFI (the Global Association of the Exhibition Industry) showed good results and a promising outlook for 2018. Of those surveyed, 70% said that they had experienced an increase in revenues in second half 2017 and 77% were optimistic about 2018. The greatest worries in coming years were the trend in domestic economies (25% of those surveyed), sector competition (21%), developments in the global economy and management challenges in a period of considerable change (16% for each of these answers).

Many of those active in the exhibition sector believe that developing new business models, for example, new formats, digital services, and innovative marketing services, are a strategic priority. Worldwide, 63% of those surveyed believe that, in the next five years, 25% of revenues will be generated by innovations in business models whilst 11% believe that this figure will be higher than 25%. It is worth highlighting that a breakdown by type of entity showed that exhibition centres were the most attached to traditional strategies: 71% of these believe that less than 10% of revenues in the next five years will come from new sources of revenue.

Surveys of leaders in the meetings and events sector regarding future trends reveal a positive picture: 57% expect an improvement in business conditions in the next two years and 48% believe that attendance at events will increase; moreover, the majority of those surveyed believes that budgets available for events will increase.

Some survey topics impact the whole MICE (Meetings, Incentives, Conferences, Exhibitions) sector: the ability to create a memorable experience for those taking part, the penetration of new technologies and the ability to generate indicators of the success of an event, for example, the ROI (Return on Investment) and a new ROE (Return on Engagement). Lastly, it was felt that security, a matter of considerable importance to all those in the sector, requires resources and innovative planning, management and organisational strategies.

Economic and financial performance for the year ended 31 December 2017

Economic performance

The table below shows the Consolidated Income Statement.

Consolidated Income Statement

(Amounts in €'000)

| | 2017 | | 2016 restated | |
|---|----------------|-------------|-----------------|--------------|
| | | % | | % |
| Revenues from sales and services | 271,327 | 100 | 221,041 | 100 |
| Cost of materials | 3,228 | 1.2 | 2,281 | 1.0 |
| Cost of services | 148,279 | 54.6 | 121,423 | 54.9 |
| Costs for use of third party assets | 49,868 | 18.4 | 49,837 | 22.5 |
| Personnel expenses | 48,860 | 18.0 | 44,101 | 20.0 |
| Other operating expenses | 5,398 | 2.0 | 4,222 | 1.9 |
| Total operating costs | 255,633 | 94.2 | 221,864 | 100.4 |
| Other income | 2,604 | 1.0 | 3,216 | 1.5 |
| Results of equity-accounted companies | 2,603 | 1.0 | 1,259 | 0.6 |
| Allowance for doubtful accounts and other provisions | 5,841 | 2.2 | 5,477 | 2.5 |
| EBITDA | 15,060 | 5.6 | (1,825) | -0.8 |
| Depreciation and amortisation | 6,834 | 2.5 | 8,398 | 3.8 |
| Adjustments to asset values | 2,854 | 1.1 | 12,771 | 5.8 |
| EBIT | 5,372 | 2.0 | (22,994) | -10.4 |
| Financial income/(expenses) | (774) | -0.3 | (985) | -0.4 |
| Profit/(loss) before income tax | 4,598 | 1.7 | (23,979) | -10.8 |
| Income tax | 2,860 | 1.1 | (5,305) | -2.4 |
| Profit/(loss) from continuing operations | 1,738 | 0.6 | (18,674) | -8.4 |
| Profit/(loss) from discontinued operations | - | - | (4,176) | -1.9 |
| Profit/(loss): | 1,738 | 0.6 | (22,850) | -10.3 |
| - attributable to the shareholders of the controlling entity | 1,637 | 0.6 | (22,794) | -10.3 |
| - attributable to non-controlling interests | 101 | 0.0 | (56) | -0.0 |
| Cash flow for the Group and non-controlling interests | 17,267 | 6.4 | 3,796 | 1.7 |

Starting with the Consolidated Financial Statements at 31 December 2017, operating profitability will be calculated as EBITDA. The figures in the Consolidated Financial Statements at 31 December 2016 that show a figure for gross operating profit have been restated to reflect this change. The difference between EBITDA and gross operating profit is that the latter does not include Provisions for doubtful receivables and other provisions.

Revenues from sales and services were Euro 271.327 million, an increase of Euro 50.286 million compared to the figure of Euro 221.041 million in the 2016 financial year. The increase in revenues mainly reflected the more favourable exhibition calendar which, in the year under review, included the directly organised biennial exhibitions held in uneven-numbered years, Host, Tuttofood and Sicurezza, as well as the hosted biennial exhibition held in uneven-numbered years, Made Expo. Other contributors to the strong trend in revenues were the international congress ERS and the new exhibitions Lamiera, Tempo di Libri, and Versilia Yachting Rendez-Vous. The positive effect of these was, in part, offset by the absence of the important biennial exhibition held in even-numbered years, Mostra Convegno Expocomfort.

Revenues were also affected by lower business volumes in the stand-fitting sector and, in particular, a fall in business generated outside the exhibition sites, and by the absence of the activities for dismantling Expo 2015.

EBITDA was Euro 15.060 million compared to a negative figure of Euro 1.825 in 2016, an increase of Euro 16.885 million.

The increase in EBITDA reflected the trend in revenues. This was, in part, offset by the costs for restructuring the corporate procedures and those for the Model under Legislative Decree 231/2001 (Euro 2.900 million). There were also costs for strengthening the corporate governance organisational structures, higher costs for the variable component of remuneration, costs for launching new proprietary exhibitions, costs associated with the relaunch of the exhibition Bit, as well as a reduction in the stand-fitting business.

EBIT was Euro 5.372 million compared to an EBIT loss of Euro 22.994 million in 2016, an increase of Euro 28.366 million. The increase reflected the trend in EBITDA and the effects of lower depreciation and amortisation and impairment losses. Impairment losses totalled Euro 2.854 million: Euro 1.234 million for the trademark Business International of Fiera Milano Media SpA and Euro 1.534 million for the Parent Company trademarks Bias, Fluidtrans Compomac and NF Travel & Technology Event. The 2016 figure included impairment losses of Euro 12.771 million for goodwill and trademarks.

Net financial expenses were Euro 0.774 million compared to net expenses of Euro 0.985 million in 2016. The decrease mainly reflected lower financial charges incurred on lower average debt both current and non-current.

The **Pre-tax profit** was Euro 4.598 million compared to a pre-tax loss of Euro 23.979 million in 2016.

The **net profit from continuing operations** was Euro 1.738 million compared to a net loss of Euro 18.674 million in 2016.

The **net profit** from discontinued operations was zero compared to a net loss of Euro 4.176 million in 2016, which included the results of the Chinese subsidiaries Worldex and Haikou Worldex, that were sold in April 2017.

The net profit at 31 December 2017 was Euro 1.738 million compared to a net loss of Euro 22.850 million in 2016. The result includes a higher tax charge from the release of deferred taxes for tax losses that were offset by the taxable income in the period, as well as an increase in the current tax charge.

The relevant Explanatory and Supplementary Note to the Accounts provides further details on taxes.

The net result was **attributable** as follows:

Euro 1.637 million to **the shareholders of the controlling entity**;

Euro 0.101 million to **non-controlling interests**.

Total **Cash flow** (the net result plus depreciations and amortisation and impairment charges) was Euro 17.267 million compared to Euro 3.796 in the previous financial year.

Equity and financial performance

The table below shows the Restated Consolidated Statement of Financial Position.

Reclassified Consolidated Statement of Financial Position

| (Amounts in €'000) | 31/12/17 | 31/12/16 |
|--|-----------------|-----------------|
| Goodwill | 94,216 | 94,216 |
| Intangible assets with a finite useful life | 12,493 | 17,777 |
| Tangible fixed assets | 13,765 | 14,511 |
| Other non-current assets | 31,063 | 34,378 |
| A Non-current assets | 151,537 | 160,882 |
| Inventory and contracts in progress | 3,485 | 5,480 |
| Trade and other receivables | 46,277 | 52,227 |
| Other assets | - | - |
| B Current assets | 49,762 | 57,707 |
| Trade payables | 48,437 | 41,114 |
| Payments received on account | 43,057 | 40,239 |
| Tax liabilities | 2,010 | 1,605 |
| Provisions for risks and charges and other current liabilities | 30,527 | 21,276 |
| C Current liabilities | 124,031 | 104,234 |
| D Net working capital (B - C) | (74,269) | (46,527) |
| E Gross capital employed (A + D) | 77,268 | 114,355 |
| Employee benefit provisions | 9,379 | 9,302 |
| Provisions for risks and charges and other non-current liabilities | 4,059 | 7,107 |
| F Non-current liabilities | 13,438 | 16,409 |
| G NET CAPITAL EMPLOYED continuing operations (E - F) | 63,830 | 97,946 |
| H NET CAPITAL EMPLOYED assets held for sale | - | 2,049 |
| TOTAL NET CAPITAL EMPLOYED (G + H) | 63,830 | 99,995 |
| covered by: | | |
| Equity attributable to the Group | 62,471 | 61,006 |
| Equity attributable to non-controlling interests | 564 | 673 |
| I Total equity | 63,035 | 61,679 |
| Cash & cash equivalents | (17,922) | (20,904) |
| Current financial (assets)/liabilities | 15,172 | 46,284 |
| Non-current financial (assets)/liabilities | 3,545 | 14,150 |
| Net financial position continuing operations | 795 | 39,530 |
| Net financial position assets held for sale | - | (1,214) |
| L Net financial position (TOTAL) | 795 | 38,316 |
| EQUITY AND NET FINANCIAL POSITION (I + L) | 63,830 | 99,995 |

The entries in the Restated Consolidated Statement of Financial Position correspond to those in the Consolidated Statement of Financial Position.

Net invested capital totalled Euro 63.830 million at 31 December 2017, a decrease of Euro 36.165 million compared to the figure at 31 December 2016.

Non-current assets were Euro 151.537 million at 31 December 2017 compared to Euro 160.882 million at 31 December 2016. The decrease was mainly due to a decrease in intangible assets following amortisation, lower investments in the financial year under review, impairment losses on some trademarks in Fiera Milano Media SpA and the Parent Company, the use of deferred tax assets and exchange rate differences.

Net working capital, the balance of current assets and current liabilities, went from a negative figure of Euro 46.527 million at 31 December 2016 to a negative figure of Euro 74.269 million at 31 December 2017. The increase mainly reflected a decrease in trade receivables; an increase in trade payables and in payables to exhibition organisers caused by the different exhibition calendar; and an increase in advance payments for future exhibitions. Fiera Milano Group has structural negative net working capital due to the favourable cash management cycle of exhibitions as clients pay part of the attendance fee in advance. Furthermore, Fiera Milano SpA also manages these activities on behalf of third-party organisers and, in this way, also generates positive cash flows from the rent of exhibition space.

The Group had **net debt** of Euro 0.795 million at 31 December 2017 compared to net debt of Euro 38.316 million at 31 December 2016. The improvement in net debt was due to positive operating cash flow and the trend in net working capital, which was the result of higher cash inflows from receivables and advances for exhibitions.

The Explanatory and Supplementary Notes to the Consolidated Financial Statements provides details of the net financial position.

The following table shows the reconciliation of **equity** between the Parent Company Financial Statements and the Consolidated Financial Statements:

Statement of reconciliation between Fiera Milano SpA and the Consolidated Financial Statements

(€'000)

| | Full year 2017 | | Full year 2016 | |
|--|----------------|---------------|----------------|-----------------|
| | Equity | Profit/(loss) | Equity | Profit/(loss) |
| PARENT COMPANY EQUITY AND PROFIT/(LOSS) | 59,571 | (864) | 60,488 | (25,160) |
| Equity and profit/(loss) of consolidated companies | 45,632 | (7,405) | 45,651 | (4,706) |
| Intragroup dividends | - | - | - | (3,094) |
| Elimination of carrying value of consolidated investments | (108,421) | - | (110,238) | - |
| Goodwill arising from acquisitions | 11,156 | - | 12,270 | (6,103) |
| Write-down of investments, net of tax effect | 53,597 | 9,698 | 49,027 | 16,436 |
| Elimination of write-downs of intergroup loans and financing | 734 | 469 | 3,777 | 2,159 |
| Elimination of intragroup margins | 715 | (160) | 704 | (2,382) |
| Minor consolidation adjustments, net of tax effect | 51 | - | - | - |
| TOTAL EQUITY | 63,035 | 1,738 | 61,679 | (22,850) |
| of which attributable to non-controlling interests | 564 | 101 | 673 | (56) |
| GROUP EQUITY AND PROFIT/(LOSS) | 62,471 | 1,637 | 61,006 | (22,794) |

Investments

In the financial year to 31 December 2017, investments totalled Euro 4.392 million and the breakdown was as follows:

Investments

| (€'000) | Full year to 31/12/17 | Full year to 31/12/16 |
|--|--------------------------|--------------------------|
| Intangible fixed assets | 500 | 3,151 |
| Tangible fixed assets | 3,892 | 4,236 |
| Total investments in non-current assets | 4,392 | 7,817 |

Investments in intangible fixed assets totalled Euro 0.500 million and were mainly for the Parent Company investments in the implementation of digital projects and the acquisition of software (Euro 0.369 million).

Investments in tangible fixed assets totalled Euro 3.892 million and were mainly:

- Euro 1.271 million of acquisitions of furniture and goods to be hired out at exhibitions;
- Euro 2.545 million for plant and machinery, electronic machinery, and improvements made to the Rho exhibition site, the MiCo Congress Centre and MoMeC in Rome (Montecitorio Meeting Center).

The Explanatory and Supplementary Notes to the Consolidated Financial Statements provide further details on investments.

Business performance by operating segment and by geographic area

The following table gives the key Group figures by operating segment and by geographic area.

Summary of data by operating segment and by geographic area

(Amounts in € '000)

| | 2017 | | 2016 restated | |
|---|----------------|---------------|-----------------|---------------|
| Revenues from sales and services | | | | |
| - By operating segment: | | % | | % |
| . Italian Exhibitions | 220,014 | 69.8 | 173,421 | 66.6 |
| . Foreign Exhibitions | 5,096 | 1.6 | 6,830 | 2.7 |
| . Stand-fitting Services | 33,030 | 10.5 | 38,295 | 14.7 |
| . Media | 10,841 | 3.4 | 11,051 | 4.2 |
| . Congresses | 46,311 | 14.7 | 30,672 | 11.8 |
| Total revenues gross of adjustments for inter-segment transactions | 315,292 | 100.0 | 260,269 | 100.0 |
| . Adjustments for inter-segment transactions | (43,965) | | (39,228) | |
| Total revenues net of adjustments for inter-segment transactions | 271,327 | | 221,041 | |
| - By geographic area: | | | | |
| . Italy | 266,231 | 98.1 | 214,239 | 96.9 |
| . Foreign countries | 5,096 | 1.9 | 6,802 | 3.1 |
| Total | 271,327 | 100.0 | 221,041 | 100.0 |
| EBITDA | | | | |
| - By operating segment: | | % on revenues | | % on revenues |
| . Italian Exhibitions | 13,303 | 6.0 | (7,878) | -4.5 |
| . Foreign Exhibitions | 80 | 1.6 | 1,586 | 23.2 |
| . Stand-fitting Services | (1,754) | -5.3 | 2,415 | 6.3 |
| . Media | 409 | 3.8 | 633 | 5.7 |
| . Congresses | 3,022 | 6.5 | 2,138 | 7.0 |
| . Adjustments | - | | (719) | |
| Total | 15,060 | 5.6 | (1,825) | -0.8 |
| - By geographic area: | | | | |
| . Italy | 15,030 | 5.6 | (2,954) | -1.4 |
| . Foreign countries | 30 | 0.6 | 1,129 | 16.6 |
| Total | 15,060 | 5.6 | (1,825) | -0.8 |
| EBIT | | | | |
| - By operating segment: | | % on revenues | | % on revenues |
| . Italian Exhibitions | 8,831 | 4.0 | (15,234) | -8.8 |
| . Foreign Exhibitions | (436) | -8.6 | (4,507) | -66.0 |
| . Stand-fitting Services | (3,492) | -10.6 | 493 | 1.3 |
| . Media | (1,196) | -11.0 | (4,103) | -37.1 |
| . Congresses | 1,726 | 3.7 | 1,133 | 3.7 |
| . Adjustments | (61) | | (776) | |
| Total | 5,372 | 2.0 | (22,994) | -10.4 |
| - By geographic area: | | | | |
| . Italy | 5,858 | 2.2 | (17,779) | -8.3 |
| . Foreign countries | (486) | -9.5 | (5,215) | -76.7 |
| Total | 5,372 | 2.0 | (22,994) | -10.4 |
| Employees | | | | |
| (n°. of permanent employees at the end of the period) | | | | |
| - By operating segment: | | % | | % |
| . Italian Exhibitions | 423 | 61.1 | 416 | 57.4 |
| . Foreign Exhibitions | 100 | 14.4 | 141 | 19.4 |
| . Stand-fitting Services | 61 | 8.8 | 57 | 7.9 |
| . Media | 59 | 8.5 | 63 | 8.7 |
| . Congresses | 50 | 7.2 | 48 | 6.6 |
| Total | 693 | 100.0 | 725 | 100.0 |
| - By geographic area: | | | | |
| . Italy | 593 | 85.6 | 584 | 80.6 |
| . Foreign countries | 100 | 14.4 | 141 | 19.4 |
| Total | 693 | 100.0 | 725 | 100.0 |

Starting with the Consolidated Financial Statements at 31 December 2017, operating profitability will be calculated as EBITDA. The figures in the Consolidated Financial Statements at 31 December 2016 that show a figure for gross operating profit have been restated to reflect this change. The difference between EBITDA and gross operating profit is that the latter does not include Provisions for doubtful receivables and other provisions.

The activities of the Fiera Milano Group are grouped into five operating segments: **Italian Exhibitions, Foreign Exhibitions, Stand-fitting Services, Media and Congresses.**

Revenues from sales and services, before eliminations for inter-segment transactions, were Euro 315.292 million in the financial year to 31 December 2017, of which 70% was generated by Italian Exhibitions, 2% by Foreign Exhibitions, 10% by Stand-fitting Services, 3% by the Media segment and 15% by the Congress segment.

- Revenues from **Italian Exhibitions** were Euro 220.014 million, an increase of Euro 46.593 million compared to the figure of Euro 173.421 million in the previous financial year. The increase in revenues mainly reflected the more favourable exhibition calendar that, in the year under review, included the directly organised biennial exhibitions held in uneven-numbered years Host, Tuttofood, and Sicurezza, as well as the hosted biennial exhibition held in uneven-numbered years, Made Expo. The new exhibitions (Lamiera, Tempo di Libri and Versilia Yachting Rendez-Vous) also contributed to the increase as did the positive results of Promotion Trade Exhibition, which, in 2016, was a hosted exhibition. The increase in revenues was, in part, offset by the absence of the important exhibition, Mostra Convegno Expocomfort, held in even-numbered years.
- Revenues from **Foreign Exhibitions** were Euro 5.096 million, a decrease of approximately 25% on the figure for the previous year (Euro 6.830 million). The decrease in the revenues of this segment reflected a less favourable exhibition calendar in Brazil with the absence of the biennial exhibitions held in even-numbered years, Fisp, Fesqua and Feitintas. This was, in part, compensated by strong results from Exposec in Brazil and the presence of the biennial exhibition Reatech that was held in Brazil in 2017.
- Revenues from **Stand-fitting Services** were Euro 33.030 million, a decrease of Euro 5.265 million compared to the previous financial year (Euro 38.295 million). The decrease reflected lower business volumes generated outside the exhibition sites and the absence of the contracts to dismantle the Expo 2015 structures.
- Revenues from **Media** were Euro 10.841 million, approximately 2% lower than in the previous financial year (Euro 11.051 million). The decrease was attributable to lower revenues from print advertising, training and billboard advertising, in particular, due to the absence of Mostra Convegno Expocomfort and Eurocucina. This was, in part, compensated by higher revenues from digital services and sponsorship.
- Revenues from **Congresses** were Euro 46.311 million, an increase of Euro 15.639 million compared to the figure of the previous financial year (Euro 30.672 million). The increase was mainly due to the strong trend in international congresses and, in particular, ERS, the largest congress worldwide for epidemiology, diagnoses and treatment of respiratory illnesses, and the related destination services management.

EBITDA was Euro 15.060 million, an increase of Euro 16.885 compared to the previous financial year; the breakdown by operating segment was as follows:

- **Italian Exhibitions** had EBITDA of Euro 13.303 million compared to negative EBITDA of Euro 7.878 million in the financial year to 31 December 2016. The increase in EBITDA mainly reflected the trend in revenues that was, in part, offset by higher costs for restructuring the corporate procedures and the Model under Legislative Decree 231/2001, for strengthening the corporate governance organisational structure, for the variable component of remuneration, for launching new exhibitions and for repositioning Bit.
- **Foreign Exhibitions** had EBITDA of Euro 0.080 million compared to Euro 1.586 million in the financial year to 31 December 2016. This decrease was partly compensated by the improved results of the joint venture with Deutsche Messe AG.
- **Stand-fitting Services** had negative EBITDA of Euro 1.754 million, a decrease of Euro 4.169 million compared to the preceding financial year (Euro 2.415 million). The decrease reflects the fall in revenues in this segment and the higher costs to restructure the corporate procedures and the Model under Legislative Decree 231/2001.

- **Media** had EBITDA of Euro 0.409 million, a decrease of Euro 0.224 million compared to the preceding financial year (Euro 0.633 million) that was mainly due to the fall in revenues described above.
- **Congresses** had EBITDA of Euro 3.022 million compared to Euro 2.138 million in the financial year to 31 December 2016, an increase of Euro 0.884 million. The increase reflected the higher revenues of this segment, in part, offset by higher personnel costs for the new employees of Fiera Milano Congressi SpA to manage the audio-visual equipment. Moreover, the figure for the preceding financial year had benefited from insurance payments for damage to the structure of the MiCo Nord Congress Centre.

Total **EBIT** was Euro 5.372 million compared to an EBIT loss of Euro 22.994 million in the previous financial year. The breakdown was as follows:

- **Italian Exhibitions** had EBIT of Euro 8.831 million compared to an EBIT loss of Euro 15.234 million at 31 December 2016. The Euro 24.065 million improvement reflected the trend in EBITDA, lower depreciation and amortisation for some asset groups that were completely depreciated, and lower impairment charges. The impairment charges were mainly for trademarks of the Parent Company: Euro 0.332 million for Bias, Euro 0.754 million for Fluidtrans Compomac and Euro 0.448 million for NF Travel & Technology Event.
- **Foreign Exhibitions** had an EBIT loss of Euro 0.436 million compared to an EBIT loss of Euro 4.507 million in the 2016 financial year. The improvement reflects the aforementioned trend in the segment EBITDA and the absence of the impairment charges of the previous financial year.
- **Stand-fitting Services** had an EBIT loss of Euro 3.492 million, a Euro 3.985 million decrease compared to the figure for the previous financial year (Euro 0.493 million). The figure reflected the EBITDA performance of this segment that was, in part, compensated by lower depreciation and amortisation due to lower investments and because some group of assets were completely depreciated.
- **Media** had an EBIT loss of Euro 1.196 million, a Euro 2.907 million improvement on the figure of the previous financial year (an EBIT loss of Euro 4.103 million). The improvement, which contrasted with the deterioration in the EBITDA of this segment, was mainly due to lower impairment charges. There was an impairment charge of Euro 1.234 million for the Business International trademark.
- **Congresses** had EBIT of Euro 1.726 million compared to Euro 1.133 million in the financial year to 31 December 2016. The improvement reflected the aforementioned trend in the segment EBITDA, in part, offset by higher depreciation and amortisation for electronic audio-visual machinery and equipment.

The 693 Group **employees** at the end of the 2017 financial year were divided among the five operating segments as follows: 61% in Italian Exhibitions, 14% in Foreign Exhibitions, 9% in Stand-fitting Services, 9% in Media and 7% in Congresses.

The table below gives **key figures for the companies in the Foreign Exhibitions segment.**

Summary data for companies in the Foreign Exhibitions segment

(Amounts in € '000)

| | 2017 | 2016 restated |
|--|--------------|----------------|
| Revenues from sales and services | | |
| - by company: | | |
| . Cipa FM Publicações e Eventos Ltda | 3,973 | 5,670 |
| . Hannover Milano Global Germany GmbH | - | - |
| . Fiera Milano Exhibitions Africa (PTY) Ltd | 1,123 | 1,131 |
| . Fiera Milano India Pvt Ltd | - | - |
| . Limited Liability Company Fiera Milano | - | 29 |
| . Eurofairs International Consultoria e Participações Ltda | - | - |
| Total gross of adjustments | 5,096 | 6,830 |
| EBITDA | | |
| - by company: | | |
| . Cipa FM Publicações e Eventos Ltda | (1,872) | 125 |
| . Hannover Milano Global Germany GmbH | 3,269 | 2,289 |
| . Fiera Milano Exhibitions Africa (PTY) Ltd | (1,018) | (1,171) |
| . Fiera Milano India Pvt Ltd | (120) | (14) |
| . Limited Liability Company Fiera Milano | (17) | 487 |
| . Eurofairs International Consultoria e Participações Ltda | (162) | (130) |
| Total | 80 | 1,586 |
| EBIT | | |
| - by company: | | |
| . Cipa FM Publicações e Eventos Ltda | (2,214) | (2,806) |
| . Hannover Milano Global Germany GmbH | 3,269 | 2,289 |
| . Fiera Milano Exhibitions Africa (PTY) Ltd | (1,192) | (4,333) |
| . Fiera Milano India Pvt Ltd | (120) | (14) |
| . Limited Liability Company Fiera Milano | (17) | 487 |
| . Eurofairs International Consultoria e Participações Ltda | (162) | (130) |
| Total | (436) | (4,507) |

Starting with the Consolidated Financial Statements at 31 December 2017, operating profitability will be calculated as EBITDA. The figures in the Consolidated Financial Statements at 31 December 2016 that show a figure for gross operating profit have been restated to reflect this change. The difference between EBITDA and gross operating profit is that the latter does not include Provisions for doubtful receivables and other provisions.

Operating figures

The tables on the following pages give the figures for events held at the **fieramilano** and **fieramilanocity** venues and those held abroad in the financial year to 31 December 2017 with comparative figures for the previous financial year. The tables give the net square metres of exhibition space occupied and the number of participating exhibitors. The events are classified according to how frequently they are held - annual, biennial or multi-annual - and figures for exhibitions directly organised by the Group are also given for each of the periods (*the figures have been rounded up to make them easier to read and compare*).

Fiera Milano Group Summary operating figures

| | Full year to 31/12/2017 | | Full year to 31/12/2016 | |
|---|-------------------------|------------------------|-------------------------|------------------------|
| | Total | Organised by the Group | Total | Organised by the Group |
| Number of exhibitions: | 83 | 45 | 76 | 38 |
| Italy | 54 | 16 | 46 | 8 |
| . annual | 39 | 10 | 39 | 8 |
| . biennial | 15 | 6 | 7 | - |
| . multi-annual | - | - | - | - |
| Foreign countries | 29 | 29 | 30 | 30 |
| . annual | 25 | 25 | 27 | 27 |
| . biennial | 4 | 4 | 3 | 3 |
| . multi-annual | - | - | - | - |
| Number of congresses with related exhibition space | 36 | - | 39 | - |
| Net sq.metres of exhibition space: | 1,888,965 | 854,540 | 1,643,060 | 533,115 |
| Italy | 1,517,205 | 482,780 | 1,285,600 | 175,655 |
| . annual (a) | 1,080,600 | 200,235 | 1,031,455 | 175,655 |
| . biennial | 436,605 | 282,545 | 254,145 | - |
| . multi-annual | - | - | - | - |
| (a) of which congresses with related exhibition space | 52,045 | - | 50,770 | - |
| Foreign countries | 371,760 | 371,760 | 357,460 | 357,460 |
| . annual | 358,670 | 358,670 | 326,730 | 326,730 |
| . biennial | 13,090 | 13,090 | 30,730 | 30,730 |
| . multi-annual | - | - | - | - |
| Number of exhibitors: | 36,385 | 16,655 | 30,950 | 10,755 |
| Italy | 27,785 | 8,055 | 23,800 | 3,605 |
| . annual (b) | 21,425 | 4,010 | 20,680 | 3,605 |
| . biennial | 6,360 | 4,045 | 3,120 | - |
| . multi-annual | - | - | - | - |
| (b) of which congresses with related exhibition space | 2,920 | - | 2,825 | - |
| Foreign countries | 8,600 | 8,600 | 7,150 | 7,150 |
| . annual | 8,090 | 8,090 | 6,600 | 6,600 |
| . biennial | 510 | 510 | 550 | 550 |
| . multi-annual | - | - | - | - |

The table shows that in the 2017 financial year the percentage of total net square metres of exhibition space covered by annual exhibitions was approximately 76%. Annual exhibitions covered 1,439,270 net square metres of exhibition space, an increase of 81,085 square metres compared to the previous financial year. The increase came mainly from directly organised exhibitions in Italy (+24,580 net square metres, approximately 14%), hosted annual exhibitions in Italy (+24,565 net square metres, approximately 3%) and directly organised exhibitions abroad (+31,940 net square metres, approximately 10%). Biennial exhibitions covered 449,695 net square metres of exhibition space, an increase of 58% compared to the previous financial year. There was an increase of 282,545 net square metres in the directly organised biennial exhibitions in Italy due to the presence of Host, Tuttofood and Sicurezza. This increase was, in part, offset by a decrease of 100,085 net square metres of space occupied by hosted biennial exhibitions in Italy, which primarily reflected the absence of Mostra Convegno Expocomfort. There was a year-on-year increase of 4%, or 14,300 net square metres, in the space occupied by exhibitions held abroad mainly due to the combined effect of the different exhibition calendars in China, India and Brazil.

The tables below give the figures for the 2017 financial year and comparative figures for 2016 for events hosted by the Group in the **fieramilano** and **fieramilanocity** sites. They provide figures on the net square metres of exhibition space occupied and the number of exhibitors classified by how frequently the events are held, and indicate those exhibitions that were directly organised (*the figures have been rounded up to make them easier to read and compare*).

Italian exhibition portfolio

| Annual Exhibitions: | Net sq. metres of exhibition space | | Number of exhibitors | |
|--|------------------------------------|-------------------------|-------------------------|-------------------------|
| | Full year to 31/12/2017 | Full year to 31/12/2016 | Full year to 31/12/2017 | Full year to 31/12/2016 |
| Directly organised | | | | |
| - Bit | 15,160 | 13,505 | 280 | 380 |
| - Chibimart Summer | 3,780 | 4,445 | 125 | 165 |
| - Chibimart Winter | 3,440 | 3,080 | 105 | 105 |
| - HOMI I semester | 83,690 | 77,785 | 1,425 | 1,285 |
| - HOMI II semester | 55,485 | 58,310 | 1,165 | 1,220 |
| - Miart | 8,415 | 7,810 | 195 | 185 |
| - Promotion Trade Exhibition | 4,335 | a) | 135 | a) |
| - Sposaltalia | 9,545 | 8,485 | 160 | 160 |
| - Tempo di libri * | 16,385 | - | 285 | - |
| - Versilia Yachting Rendez-Vous * | b) | - | 135 | - |
| - Milano Pret a Porter Spring | c) | 2,235 | c) | 105 |
| - Milano Pret a Porter Autumn | c) | c) | c) | c) |
| Total annual exhibitions directly organised | 200,235 | 175,655 | 4,010 | 3,605 |
| Hosted | | | | |
| - Artigiano in fiera | 63,415 | 55,790 | 1,905 | 1,230 |
| - Cartoomics | 10,495 | 8,310 | 340 | 310 |
| - Eicma Moto | 109,160 | 91,950 | 695 | 520 |
| - Enci Winner * | 16,550 | - | 45 | - |
| - Fa' la cosa giusta | 10,285 | 9,350 | 680 | 695 |
| - G! come giocare | 12,350 | 6,410 | 70 | 85 |
| - Hobby Show (I semester) | 1,610 | 1,815 | 65 | 90 |
| - Hobby Show (II semester) | 1,580 | 2,275 | 70 | 100 |
| - Lineapelle (I semester) | 46,665 | 43,710 | 1,200 | 1,155 |
| - Lineapelle (II semester) | 48,445 | 46,875 | 1,135 | 1,240 |
| - MAM - Mostra a Milano Arte e Antiquariato * | 2,200 | - | 35 | - |
| - Mido | 48,015 | 46,260 | 1,190 | 1,075 |
| - Milan Games Week | 7,635 | 10,180 | 90 | 100 |
| - Milano Auto Classica | 17,560 | 20,965 | 335 | 290 |
| - Milano Unica (Autumn) | 31,890 | 25,540 | 460 | 485 |
| - Milano Unica (Spring) | 27,325 | 18,165 | 365 | 390 |
| - Mipel (Autumn) | 8,575 | 8,065 | 280 | 235 |
| - Mipel (Spring) | 7,980 | 8,305 | 250 | 250 |
| - Myplant & garden | 17,065 | 13,855 | 450 | 345 |
| - Salone del Franchising Milano | 4,725 | 3,835 | 135 | 125 |
| - Salone del mobile/ Complemento d'arredo | 161,130 | 161,955 | 1,130 | 1,180 |
| - Simac Tanning-Tech | 17,205 | 14,900 | 245 | 220 |
| - Smau | 4,340 | 4,715 | 10 | 10 |
| - Technology Hub (ex 3D Print Hub) | 2,350 | 3,250 | 120 | 155 |
| - The Micam (Autumn) | 63,345 | 63,360 | 1,355 | 1,385 |
| - The Micam (Spring) | 61,705 | 63,425 | 1,330 | 1,425 |
| - The One Milano (February) * | 13,615 | - | 220 | - |
| - The One Milano (September) * | 1,820 | - | 80 | - |
| - Viscom - Visual communication | 9,285 | 8,880 | 210 | 205 |
| - Promotion Trade Exhibition | a) | 4,515 | a) | 140 |
| - Prima MU | c) | 3,710 | c) | 130 |
| - Esposizione Internazionale Canina | c) | 15,000 | c) | 50 |
| - Expotraining | c) | c) | c) | c) |
| - Mifur | d) | 12,080 | d) | 150 |
| - Milano Auto Classica - Winter Edition | c) | 26,310 | c) | 330 |
| - Super Autumn | c) | c) | c) | c) |
| - Super Spring | c) | 1,275 | c) | 150 |
| Total annual exhibitions directly organised | 828,320 | 805,030 | 14,495 | 14,250 |
| Total annual exhibitions | 1,028,555 | 980,685 | 18,505 | 17,855 |

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Italian exhibition portfolio

| | Net sq. metres of exhibition space | | Number of exhibitors | |
|--|------------------------------------|-------------------------|-------------------------|-------------------------|
| | Full year to 31/12/2017 | Full year to 31/12/2016 | Full year to 31/12/2017 | Full year to 31/12/2016 |
| Biennial Exhibitions: | | | | |
| Directly organised | | | | |
| - Fruit&Veg Innovation | 1,750 | - | 55 | - |
| - Host | 137,005 | - | 2,060 | - |
| - Sicurezza | 20,060 | - | 380 | - |
| - Smart Building Expo * | 2,195 | - | 70 | - |
| - Transpotec & Logitec ** | 56,765 | - | 245 | - |
| - Tuttofood | 64,770 | - | 1,235 | - |
| Total biennial exhibitions directly organised | 282,545 | - | 4,045 | - |
| Hosted | | | | |
| - Euroluce | 39,920 | - | 395 | - |
| - Farmacistapiù | 545 | - | 30 | - |
| - Lamiera * | 18,240 | - | 350 | - |
| - Made Expo | 52,515 | - | 800 | - |
| - Made in Steel | 12,820 | - | 235 | - |
| - Seeds & Chips * | 3,255 | - | 210 | - |
| - SpazioNutrizione * | 505 | - | 60 | - |
| - Vitrum | 14,575 | - | 155 | - |
| - Workplace 3.0 | 11,685 | - | 80 | - |
| - Bimu | - | 37,395 | - | 560 |
| - Eurocucina | - | 35,260 | - | 110 |
| - Mostra Convegno Expocomfort | - | 118,395 | - | 1,540 |
| - Salone Internazionale del Bagno | - | 19,390 | - | 175 |
| - Sfortec | - | 725 | - | 40 |
| - Venditalia | - | 13,740 | - | 255 |
| - Xylexpo | - | 29,240 | - | 440 |
| - Chem Med | c) | - | c) | - |
| - Enovitis | c) | - | c) | - |
| - Fruit Innovation | a) | - | a) | - |
| - Simei | c) | - | c) | - |
| Total biennial exhibitions hosted | 154,060 | 254,145 | 2,315 | 3,120 |
| Total biennial exhibitions | 436,605 | 254,145 | 6,360 | 3,120 |
| TOTAL EXHIBITIONS | 1,465,160 | 1,234,830 | 24,865 | 20,975 |
| - Congresses with related exhibition space | 52,045 | 50,770 | 2,920 | 2,825 |
| TOTAL | 1,517,205 | 1,285,600 | 27,785 | 23,800 |

* The exhibition was held for the first time.

** The exhibition was held at Veronafiere exhibition site.

a) Starting from 2017 is organised by Fiera Milano Group.

b) The exhibition was held in Viareggio with the presence of 70 boats (from 10 to 60 linear meters) and 126 curtains

c) The exhibition did not take place.

d) Starting from 2017 the exhibition is included in The ONE Milano

The table below gives details of the exhibitions organised abroad. The net exhibition space utilised was 371,760 square metres (the figures for square metres of net exhibition space have been rounded up to make them easier to read and compare).

Foreign Exhibition portfolio

| | Net sq. metres of exhibition space | | Number of exhibitors | |
|---|------------------------------------|-----------------------|-----------------------|-----------------------|
| | Full year to 31/12/17 | Full year to 31/12/15 | Full year to 31/12/17 | Full year to 31/12/15 |
| Annual Exhibitions: | | | | |
| Exhibitions directly organised in China | | | | |
| - CeMAT Asia Shanghai | 22,530 | 19,725 | 650 | 500 |
| - Chinafloor Domotex Shanghai | 69,345 | 65,375 | 1,330 | 1,305 |
| - China Commercial Vehicle Show | 24,850 | a) | 120 | a) |
| - China Tourism International and Commodities Fair | 6,805 | 13,580 | 360 | 280 |
| - Comvac Asia | 7,590 | 5,445 | 160 | 145 |
| - GITF International Tour Guangzhou | 7,045 | 7,875 | 240 | 195 |
| - Heavy Machinery Asia | 670 | a) | 80 | a) |
| - Industrial Automation Beijing/FAPA | 3,905 | 3,235 | 170 | 185 |
| - Industrial Automation Shanghai | 24,925 | 39,205 | 500 | 500 |
| - Industrial Automation Shenzhen | 10,165 | 8,020 | 500 | 390 |
| - Industrial Supply Asia | 290 | 315 | 85 | 25 |
| - Internet Plus Expo Foshan | 5,430 | 0 | 600 | 0 |
| - MDA Shenzhen * | 335 | 0 | 25 | 0 |
| - Metalworking and CNC Mach. Tool Shanghai | 29,940 | 27,085 | 550 | 550 |
| - Motor Show Chengdu | 77,170 | 76,600 | 90 | 90 |
| - PTC Asia Shanghai | 39,990 | 26,395 | 1,600 | 1,075 |
| - The Micam Shanghai 1° semestre | a) | a) | a) | a) |
| Total Exhibitions directly organised in China | 330,985 | 292,855 | 7,060 | 5,240 |
| Exhibitions directly organised in India | | | | |
| - Food Hospitality World Bangalore | 1,660 | 1,885 | 120 | 110 |
| - Food Hospitality World Goa | 1,000 | 1,200 | 70 | 75 |
| - Food Hospitality World Mumbai | 2,970 | 2,840 | 165 | 180 |
| - CeBIT India | a) | 2,200 | a) | 90 |
| - CeMAT India | a) | 1,295 | a) | 60 |
| - Industrial Automation India | a) | 785 | a) | 35 |
| - MDA India | a) | 895 | a) | 40 |
| - Surface Technology | a) | a) | a) | a) |
| Total Exhibitions directly organised in India | 5,630 | 11,100 | 355 | 590 |
| Exhibitions directly organised in Russia | | | | |
| - HOMI Russia | a) | a) | a) | a) |
| Total Exhibitions directly organised in Russia | - | 0 | - | 0 |
| Continues in next page | | | | |

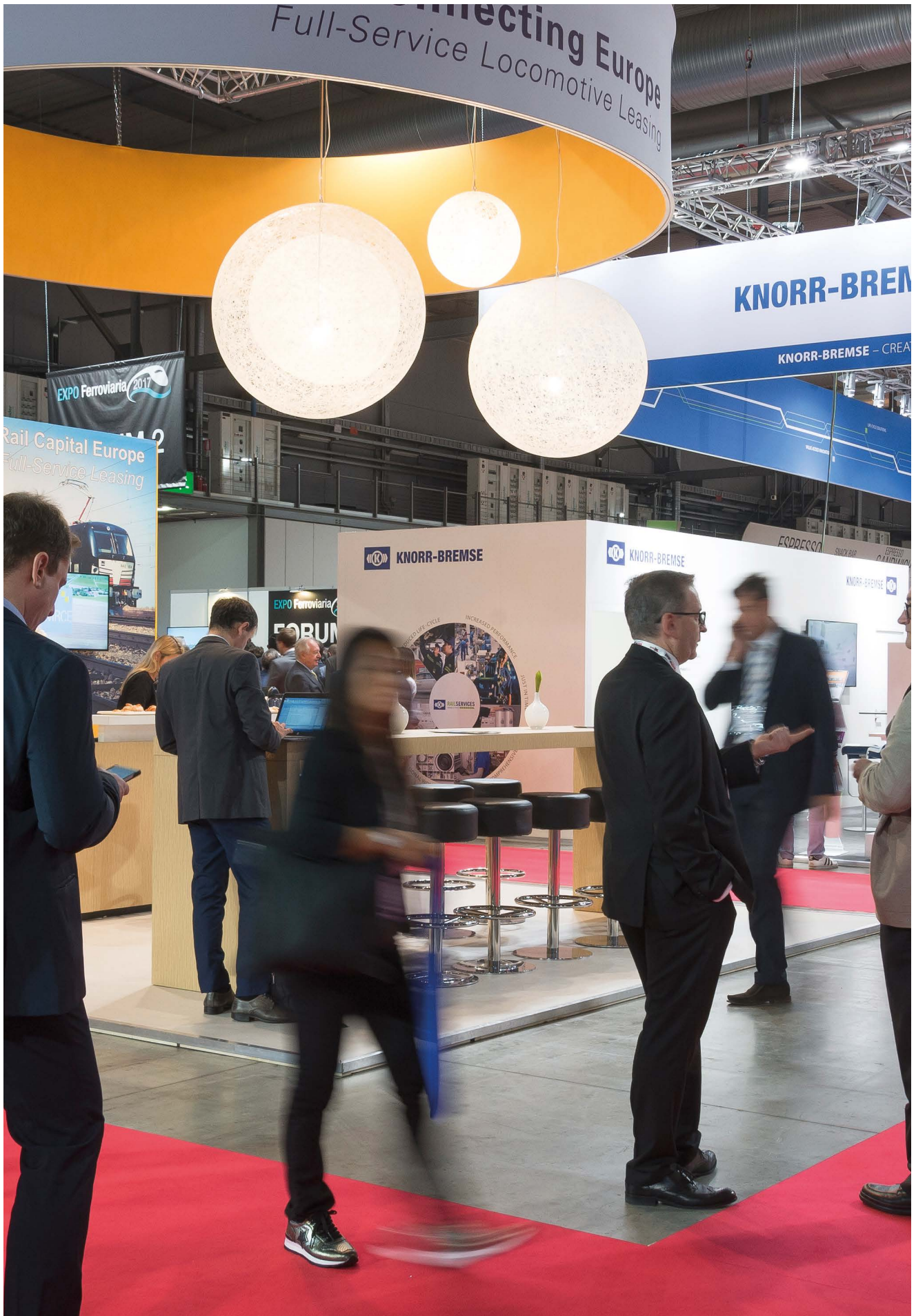
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| | Net sq. metres of exhibition space | | Number of exhibitors | |
|---|------------------------------------|-----------------------|-----------------------|-----------------------|
| | Full year to 31/12/17 | Full year to 31/12/15 | Full year to 31/12/17 | Full year to 31/12/15 |
| Exhibitions directly organised in South Africa | | | | |
| - Capetown Art Fair | 3,075 | 2,030 | 60 | 50 |
| - Good Food & Wine Show Capetown | 3,135 | 2,860 | 175 | 165 |
| - Good Food & Wine Show Gauteng | 3,850 | 3,490 | 160 | 165 |
| - Good Food & Wine Show Durban | a) | 3,490 | a) | 115 |
| - Food Hospitality World Capetown | a) | a) | a) | a) |
| Total Exhibitions directly organised in South Africa | 10,060 | 11,870 | 395 | 495 |
| Exhibitions directly organised in USA | | | | |
| - Homi New York | a) | 505 | a) | 30 |
| Total Exhibitions directly organised in USA | - | 505 | - | 30 |
| Exhibitions directly organised in Brazil | | | | |
| - Enersolar | 850 | 860 | 45 | 45 |
| - Exposec | 9,805 | 8,100 | 190 | 150 |
| - Infocomm | 1,340 | 1,440 | 45 | 50 |
| - Food Hospitality World | a) | a) | a) | a) |
| Total Exhibitions directly organised in Brazil | 11,995 | 10,400 | 280 | 245 |
| Total Annual Exhibitions | 358,670 | 326,730 | 8,090 | 6,600 |
| Biennial Exhibitions: | | | | |
| Exhibitions directly organised in China | | | | |
| - Metal + Metallurgy | 3,640 | 0 | 120 | 0 |
| - WoodMac China | a) | 0 | a) | 0 |
| Total Exhibitions directly organised in China | 3,640 | 0 | 120 | 0 |
| Exhibitions directly organised in Brazil | | | | |
| - Reatech, FísioTech | 4,745 | 0 | 130 | 0 |
| - Tubotech | 2,010 | 0 | 125 | 0 |
| - Wire South America | 2,695 | 0 | 135 | 0 |
| - Feitintas | 0 | 1,045 | 0 | 25 |
| - Fesqua | 0 | 10,300 | 0 | 195 |
| - Fisp | 0 | 19,385 | 0 | 330 |
| - Braseg | a) | 0 | a) | 0 |
| Total Exhibitions directly organised in Brazil | 9,450 | 30,730 | 390 | 550 |
| Exhibitions directly organised in Singapore | | | | |
| - Rehabtech Asia ° | a) | 0 | a) | 0 |
| Total Exhibitions directly organised in Singapore | - | 0 | - | 0 |
| Total Biennial Exhibitions | 13,090 | 30,730 | 510 | 550 |
| TOTAL EXHIBITIONS | 371,760 | 357,460 | 8,600 | 7,150 |

* First edition of this exhibition.

° The exhibition was co-organised with the Singapore company called Singex Exhibitions Ventures Pte Ltd.

b) The exhibition did not take place.



Fiera Milano Group Personnel

Composition and turnover

At 31 December 2017, the Group had 693 permanent employees compared to 725 at 31 December 2016.

Permanent employees at year end

(units)

| | 31/12/17 | | | 31/12/16 | | |
|---|------------|------------|-------------------|------------|------------|-------------------|
| | Total | Italy | Foreign countries | Total | Italy | Foreign countries |
| Fully consolidated companies: | | | | | | |
| Executives | 29 | 27 | 2 | 31 | 28 | 3 |
| Managers and White collar workers (including Journalists) | 602 | 559 | 43 | 633 | 548 | 85 |
| Total | 631 | 586 | 45 | 664 | 576 | 88 |
| Equity-accounted companies (a): | | | | | | |
| Executives | 2 | - | 2 | 2 | - | 2 |
| White collar workers | 60 | 7 | 53 | 59 | 8 | 51 |
| Total | 62 | 7 | 55 | 61 | 8 | 53 |
| TOTAL | 693 | 593 | 100 | 725 | 584 | 141 |

(a) the indicated data corresponds to the pro-quota of total employees

In 2017, there was a year-on-year net decrease of 32 Group employees.

In 2017, 65 persons joined the Group, of which 43 in Italy to strengthen the marketing departments and the corporate governance organisational structures; the remaining 22 persons were employed abroad to replace those leaving due to the high employee turnover rate.

In 2017, 97 persons left the Group of which 34 were from the Italian companies and were mainly due to voluntary resignations, early retirement schemes and the corporate restructuring; 63 persons left the foreign businesses mainly following the sale of the two Chinese subsidiaries Worldex and Haikou Worldex but also due to the high employee turnover rate and the business restructuring.

The turnover rate of employees, calculated as the difference between those joining and those leaving the Group as a percentage of the average number of employees, was 23.2% compared to 28.6% in the 2016 financial year.

Fiera Milano Group employs staff on fixed-term contracts to manage the peaks of activity in the exhibition calendar and for extraordinary projects. Personnel on fixed-term contracts went from 26 persons at 31 December 2016 to 39 persons at the end of 2017.

Governing employment contracts

The Italian companies within the Fiera Milano Group use the national collective employment agreement for tertiary, distribution and service companies; the companies in the publishing sector employ personnel under the national collective employment agreement for graphic design and similar companies, publishing companies and multimedia companies and under the national contract for journalists.

The employees of Fiera Milano Group fall into three main categories:

- executives with a managerial role.
- middle managers and journalists with specialist roles.
- other employees, office staff, and technical support staff.

The Italian division of the Fiera Milano Group has no manual workers as it outsources all activities linked to the supply and organisation of exhibition services.

Outside Italy, each company applies the employment laws of the jurisdiction in which it is based.

Safety measures adopted

The safety of its personnel is of primary importance and Fiera Milano Group makes significant investments on this front. In 2017, specific safety training was organised for employees with technical responsibilities.

Training

The 2017 training programme of Fiera Milano Group focused on legal and regulatory updating and the acquisition of technical competences for business promotion and development.

Particular attention was paid to training for the upgraded internal procedures of the different corporate areas in order to ensure that behaviour, initiatives and working methods met the requirements of the procedures.

There was a focus on updating persons on Legislative Decree 231 given the upgrade to the organisational model. Initially this was done through *e-learning* but, in the first semester of 2018, all executives and middle managers will also attend training seminars.

Following the restructuring of Fiera Milano Media, the retraining programme for certain personnel was completed. The retraining aimed to enhance digital competences, work management and sales abilities in order to increase market penetration.

Following the completion of the training programmes, workshops and seminars were held to acquire new knowledge and create an opportunity to meet and exchange views with professionals and companies in different sectors implementing innovative improvement projects.

In the second semester of 2017, a discussion meeting was held between the top management and employees of the Group to illustrate the legal actions and measures introduced as part of the new Group business and organisational model.

Abroad, the Brazilian company CIPA, in addition to technical and linguistic training, focused on new marketing and digital competences and experimented with new business methods and ways of approaching the market. Managers were also coached in how to attain targets and improve their professional performance and that of their team.

The total number of Group personnel that took part in the 83 training sessions held was 586 for a total of 4,965 hours.

Environmental issues

Environmental management

Energy

Fiera Milano Group pays particular attention to the responsible and efficient use of energy resources both through careful management of its regular activities and the design of new and more innovative plant.

Fiera Milano Group aims to identify the most energy efficient solutions and thereby reduce the emissions generated. The environmental impact of Fiera Milano Group in Italy comprises a variable component linked to the exhibitions, congresses and exhibition services and a fixed component that is constant over the year and is linked to the energy consumption of the facilities.

As part of its continuing energy performance improvement programme, in 2017, Fiera Milano replaced the light fittings in pavilions 5/7 and 6/10 in the **fieramilano** exhibition site with units using LED technology that will guarantee the same level of light but give significant energy savings, also through improved management of the lighting system. In September 2017, it completed the replacement of all light fittings in the MiCo – Congress Centre with units using LED technology.

In 2017, there was a total reduction in energy consumption from lighting systems in the **fieramilano** exhibition site of approximately 2,250,000 kWh, which amounted to a saving of ca. Euro 310,000. In 2018, the light fittings in pavilions 9/11 and 14/18 will be replaced. The energy savings and the financial benefits from the actions taken in the MiCo – Congress Centre will be calculated at the end of 2018.

In December 2017, part of the light fittings in pavilion 3 of the **fieramilanocity** exhibition site were replaced with LED units; the benefits deriving from this substitution will be assessed after the new fittings have been in use for a period.

In 2017, the Fiera Milano Group LEED certification was upgraded to a Silver Certificate rating of the Existing Buildings, i.e. LEED EB:O&M (Existing Buildings: Operations & Maintenance); this was for the Centro Servizi, the Congress Centres and the Office building on the Rho exhibition site.

The table below shows emissions.

Emissions (ton of CO₂ equivalent)

| | 2017 | 2016 | 2015 |
|------------------------------|---------------|---------------|---------------|
| Direct emissions (Scope 1) | 1,336 | 1,273 | 1,790 |
| Indirect emissions (Scope 2) | 20,247 | 19,645 | 22,409 |
| Total emissions | 21,583 | 20,918 | 24,199 |

Waste management

Fiera Milano Group adheres to the laws governing waste management and follows the provisions of enacted law regarding waste disposal. It has appropriate internal procedures to ensure it meets the requirements of environmental laws and has a dedicated department to monitor these aspects.

Most of the waste produced in the exhibition sites is from setting up the exhibition areas. The waste is collected by regional operators using multi-material means to sort the different types of waste materials that are then subjected to various processes to obtain primary and secondary materials. The Company separates unsorted waste and recycles it in the appropriate sites. Other materials, for example, construction materials, wood, and paints are collected separately and sent for disposal to specialists.

Sustainable mobility

The Company policy is to reduce energy consumption, acoustic pollution and contain the emission of greenhouse gases. To this end, it has set up an internal department to study and research ways of reducing its environmental impact.

The environmental impact linked to mobility derives from specific circumstances in the different phases of the life cycle of an event. During the organisation and setting up of an exhibition, the environmental impact is primarily from the supply and delivery of goods and equipment; during the event, the environmental impact derives from the transit of exhibitors and visitors to and from the exhibition site; at the end of the event, the persons dismantling and removing the materials used in the exhibition represent the major source of any environmental impact. The impact of the employees of the Fiera Milano Group should be considered in the context of the cumulative effect generated across all operational activities.

To reduce the environmental impact during the various phases of the exhibitions, Fiera Milano Group has implemented several initiatives to manage mobility in the most environmentally sustainable way possible. Through its traffic control and coordination centre and a series of agreements with the main transport organisations and the law enforcement agencies, it actively contributes to managing mobility throughout the area in and around the exhibition sites during the different phases of events and provides real time traffic and mobility data through the information service, Info Mobility Fiera Milano.

Risk factors affecting Fiera Milano Group

Risk management in Fiera Milano Group

The Fiera Milano Group has for some time carried out a periodic analysis of the risks at Group level using internationally recognised standards of Enterprise Risk Management (ERM).

The main aim is to have a systematic and proactive approach to the main risks to which the Group – and each of its companies - is exposed in carrying out its business and pursuing its pre-established targets, to assess in advance the potential negative effects, implement opportune actions to mitigate these effects, and to monitor over time any relative exposure.

In order to achieve this Fiera Milano SpA has compiled a catalogue of Group risks linked to the strategies under implementation, together with a risk mapping and risk scoring methodology. Specifically, the Group integrated risk management process entails an annual:

- (i) update of the risk catalogue according to the strategies implemented and the management and business model used;
- (ii) assessment of the risks by the management of Fiera Milano SpA and of its subsidiaries;
- (iii) consolidation of information and prioritisation of the risks and the consequent areas of action;
- (iv) tolerance analysis of any exposure identified and formulation of the appropriate management strategies/actions and the identification of the persons responsible for implementing such actions.

Compared to the 2016 financial year, the Group has introduced further measures to strengthen its oversight of the ERM procedure:

- the appointment of a Risk Manager, who is responsible for planning and implementing the global corporate risk management process;
- the adoption of a specific Policy (“the ERM Policy”) that governs the roles and responsibilities for identifying, measuring, monitoring and reporting of corporate risks in Fiera Milano Group.

The Control and Risk Management Committee and the Board of Statutory Auditors are informed of the results of the aforementioned annual processes.

The main risk factors and uncertainties to which the Fiera Milano Group is exposed that have emerged from the aforementioned process are described below taking into account the business sector in which it operates and the characteristics of the business model it uses. An account of Group policies to manage and mitigate the risks described is given where necessary.

1. Risks related to external factors

Risks related to the general economic environment, to the development of and competition within the exhibition, publishing and congress sectors

Compared to the previous financial year, the economy seems to have turned a corner and, following years of crisis that affected international growth, appears to be growing, driven by a recovery in the manufacturing sector and in investments. The recovery was more evident in the major economies (the USA, Japan) at the end of 2017 but 2018 forecasts are for a further boost coming from the emerging markets.

The Eurozone is growing with real GDP of over 2%, supported by the ECB; GDP is also growing in Italy (1.5% in 2017 and forecast to be 1.5% also in 2018)¹, which has seen an increase in consumption and robust growth in investments due to the industrial policies of the National Industrial Plan 4.0 (super depreciation and amortisation, hyper depreciation and amortisation and tax credits for research and development).

In this context, the main risk is represented by political uncertainty: the Brexit negotiations, the potential adoption of protectionist policies by some leading countries, the crisis in Catalonia, the Italian elections - all of which could have repercussions on the economic scenario.

To these must be added the considerable seasonality of some businesses in which the Group operates and, consequently, of the results from these businesses that can lead to uncertainty regarding the economic growth of the business.

The trend in the Italian exhibition sector is positive with year-on-year growth in exhibition space sold and good figures for exhibitors, both domestic and foreign, and for visitors from outside Italy, although domestic visitors to exhibitions suffered a marginal decline.

The industrial policies of the government – the extraordinary Plan for Made in Italy – have had a positive impact with Italian international exhibitions being recognised as an essential tool to grow both exports and geographical diversification (increase the number of countries to which SMEs export).

The markets in which the Group is active are characterised by strong competition in terms of both pricing and a complete or partial overlapping of exhibitions and of services provided.

The exhibition business of Fiera Milano Group is part of a mature market with specific characteristics: (i) gradual integration of some sectors in the production-distribution chain, (ii) product transformation and innovation, (iii) ever-increasing growth in competition, also on tariffs and (iv) the ongoing development of the Asian markets with their strong competitive power due to their receptiveness to exhibitions and (v) a trend for integration/consolidation among exhibition operators through M&A, alliances, etc.

To maintain its domestic market position and increase its position and competitiveness on the international market, as well as promote awareness of its brand with foreign clients and competitors, Fiera Milano Group has continued its strategy of (i) enhancing its portfolio of directly organised exhibitions mainly by launching new proprietary initiatives, expanding some of these to include contiguous market sectors, by rescheduling them to more favourable periods of the year, and increasing the portfolio of hosted exhibitions and (ii) enhancing its international business through corporate restructurings to improve management efficiency and focus its exhibition offer on more profitable sectors.

In recent years, the Italian congress sector has experienced a significant drop in demand also due to the higher number and strength of the major international competitors that are primarily Anglo-Saxon and which, in some cases, have been helped over time by state/local incentives (sponsorship, free use of exhibition areas). In order to maintain and consolidate its own competitive position at a European level, the Group is continuing to follow a strategy of relaunching its integrated services (catering, stand-fitting and video services) and/or those services that complement the congress offer (e.g. destination management services).

¹ Source: Centro Studi Confindustria

In recent years, the publishing sector has been characterised by a reduction in overall resources (particularly in advertising) and by the continuous transfer of resources from traditional media to digital media. To mitigate the negative impact of this phenomenon, the Group has, and will continue, to invest in creating a digital network that can attract some of these online investments; however, the Group remains active in developing an integrated B2B multimedia offer, gradually diversifying the communication channels that it manages and its portfolio of services.

Catastrophe risk

The information technology infrastructure of Fiera Milano Group requires periodic updating to ensure it responds effectively and systematically to all requirements in the areas in which it functions. The Group is exposed to the risk of a malfunction and/or a complication at the infrastructure level that could have negative repercussions ranging from delays in the conduct of its business to a temporary interruption of its business. To reduce this risk, since January 2017, the Group has optimised its existing ICT, which is spread among various sites and managed by different operators, and given management of the entire ICT infrastructure to a single entity with a consequent gradual improvement in security, continuity, uniformity and timely intervention; this has also enabled a streamlining of management and operations and will ensure that the Group has an ICT Disaster Recovery plan.

In terms of security, a terrorist incident, in particular, one similar to those that have taken place in Europe, would expose the Group to possible negative repercussions from an attack within or near the exhibition sites or in any other locality in which Fiera Milano SpA operates with injuries to visitors and structural damage and an ensuing drop in visitors and in exhibitors. To this end, the Group has for some time had an effective security system that controls access by suppliers, exhibitors, visitors and employees to the exhibition sites. Through the Security function, implemented in 2017, having taken the advice of the competent authorities, the levels of security and access control to the areas where the exhibitions take place were raised. Starting with the Artigiano in Fiera exhibition in December 2017, the security controls and evacuation procedures that are linked to the law enforcement agencies are in line with those in airports. In the near future, these will be strengthened further in agreement with the relevant Authorities.

Risks connected to the media exposure of the Group

Compared to the previous financial year, the risk that a high profile media event with strong repercussions and giving rise to uncontrolled media exposure (including on the internet and social media platforms) has become less severe following the lifting of the judicial administration orders imposed on Fiera Milano SpA and Nolostand SpA. The news coverage and media exposure of the Group, already considerable given the nature of the Group and its various forms of communication (exhibition-related, institutional and financial) and of its principal stakeholders, rose as a result of the involvement of Fiera Milano SpA in the investigations of the Milan Court and the subsequent administration orders imposed on the Group and resulted in damage to its image.

The Group has now implemented a series of actions aimed at combatting this risk, which include outsourcing its financial communication and a revised communication policy.

Risks connected to a dependency on the exhibition business

In recent years, the dependence of some Group companies on the exhibition and congress businesses has increased. The businesses of Fiera Milano Media SpA and Nolostand SpA are still almost entirely dependent on the events portfolio of the Parent Company. The strategic and business initiatives implemented in recent years have failed to provide the expected reduction in this dependency on Group business and, therefore, the performance of Fiera Milano Media SpA continues to be closely linked to that of Fiera Milano SpA, as does that of Nolostand SpA, whose business is almost entirely dependent on the exhibitions and congresses organised/hosted by Fiera Milano SpA and Fiera Milano Congressi SpA.

To address this dependency and the inherent risks it poses to the business of the two aforementioned companies, the Group is introducing measures (some already implemented) to mitigate the potential negative effect on its consolidated results. In particular, Fiera Milano Media SpA is following a development strategy to build and consolidate non-captive commercial strategies by growing its Digital Publishing activities, launching the “Executive Club” and publishing Italian editions of some international publications (Computer World, Social Media Week and SMX). To lessen the risk of the dependency of Nolostand SpA, the Company is gradually expanding and diversifying its service portfolio through the research and development of new products that are not exclusively linked to the exhibition business or by seeking commercial opportunities with other Italian and foreign exhibition sites.

2. Operating risks

Risks connected to the launch and repositioning of events and the loss of key events

The launch of new events and the possible further expansion of the events portfolios of Group companies (with particular reference to the exhibition business) increases the risk that these events could underperform. The major risk is the increased likelihood of over-estimating the results of these events with potential repercussions for the forecast results in both the short and the medium/long term. This uncertainty is further exacerbated by the simultaneous repositioning of some events, which have been part of the portfolio of Fiera Milano SpA for a long time, and for which is envisaged a complete change of organisational format as, for example, the transfer of an event to the **fieramilanocity** exhibition site.

Added to the above risk is the possibility of losing an event considered key to the Group if such an event failed to meet the level of success that would guarantee its continuation. If it was no longer part of the Group portfolio there would be an ensuing negative impact on Group results.

The Group has prepared strategic development plans to minimise any exposure to this type of risk, in particular, through (i) the creation of a multidisciplinary task force to support Exhibition Directors and management in identifying any critical situations and priority interventions for the launch and/or repositioning of directly organised exhibitions and (ii) implementing strategies to combat the competition through partnerships with other companies in the Italian and international exhibition sector or with trade associations that will increase the visibility and media perception of such events.

Risks connected to the capacity to retain the necessary specialist competences

The Fiera Milano Group considers its human resources and competences, particularly in the exhibition and congress sectors, to be one of its principal strategic assets. The gradual evolution of exhibitions from “large marketplace” to “major event” or “experience” (with increasing importance attached to market trends) and the pursuit of medium/long-term strategies (including

the development of new proprietary exhibitions) require specialist professional competences that are not easily found. The current performance management system (specifically the PLM - *Performance & Leadership Management* – introduced in 2017 and effective from 2018) for assessing the ability of employees and the employee incentive plans aim to enable the Group to increase the validity and loyalty of its personnel and key internal competences ensuring a better coordination/exchange and sharing of expertise. The Group is hoping to introduce a long-term incentive plan with a share component that will be reserved for the top management of the Group.

The Group is increasingly exposed to the risk that competences and relationships built up by internal organisers are inadequate to meet new market challenges, which are primarily driven by the demand and offer of the reference product sectors of the exhibitions. In response to this, the Group is implementing a risk mitigation plan to increase the coordination and commercial and organisational synergies of internal organisers, prepare succession and management continuity plans to ensure that the pool of internal organisers can be replaced, and increase the monitoring of the performance of external organisers.

Risks connected to seasonality

Exhibition and event organisation is subject to seasonality and cyclicity. Both of the latter are particularly marked in the Italian and European markets as almost no exhibitions are held in the summer months and because of the presence of biennial or multi-annual exhibitions. This seasonality significantly affects the annual spread of the Group's revenues and profits and may also expose it to the risk that the exhibition site could reach saturation levels in certain periods, which might make it difficult to reach its forecast profitability targets.

To date, the strategies pursued by management to counteract this risk include (i) enhancing the exhibition portfolio and re-positioning some of its historic events, (ii) internationalising events (in terms of exhibitors and visitors), (iii) setting up strategic and commercial collaborations/alliances with other exhibition venues and/or organisers, and (iv) increasing the exploitation of other revenue sources linked to the exhibition sites (such as events other than exhibitions that can be held in the summer months – e.g. the Next Gen ATP Finals), which could lead to greater stability of revenues and profitability over a single year and also between even and uneven-numbered years.

Risk linked to quality of service provided following the recent revision of approved suppliers

During 2017, the Group completely revised its list of approved suppliers following the reputational problems linked to the circumstances that caused the imposition of the judicial administration orders, particularly those in the high risk sectors (e.g. cleaning, supply and laying of fitted carpet, stand-fittings). In certain isolated cases, there were some start-up problems with the technical provision of services from the new suppliers. These were caused by the size of the exhibition site. There was an initial reduction in the quality of service supplied, which failed to meet the expected level of customer satisfaction. These problems were resolved by the Operations structure increasing its shadowing of new suppliers as they prepared their service schedules. In January 2018, the role of head of Supplier Quality was introduced. This position is responsible for regulating and monitoring the quality of goods and services supplied and ensuring, also through a second level of checks, improved confidence in the monitoring of the services provided.

Risks linked to potential repercussions from a lack of transparency in transactions with counterparties

The service suppliers used by the Fiera Milano Group operate in labour-intensive sectors (e.g. cleaning, stand-fitting, security, and catering) and carry a medium/high reputational risk and a risk of exposure to illegal working practices.

To protect itself from this risk and the potential negative effects to its reputation and integrity, the Group has prepared and is implementing a broad system of organisational and procedural safeguards that combat both active and passive corruption.

On a procedural level, the Code of Ethics forbids corrupt practices, unlawful bribery, collusion, and requests, direct and/or through third parties, for personal or career advantages either personal or on behalf of others. The current Model 231 has two specific sections covering corruption: one for crimes committed against the Public Administration and one covering corruption amongst private entities. It also includes sections on crimes relating to the employment of citizens from third-party countries who do not have resident permits and crimes of illicit brokering and labour exploitation and on the prevention and monitoring of the aforementioned crimes. The control protocols and safeguards against these crimes are part of specific corporate procedures amongst which the most significant, as regards these risks, are those governing procurement of goods and services.

Fiera Milano Group has implemented strict controls governing the selection of suppliers (e.g. six-monthly reputational checks carried out by the Security department) to ensure that suppliers meet its reputational, financial and technical requirements. There are also on site controls: the Security department checks access to ensure that those entering the sites are entitled to do so and the Supplier Quality department (set up within the Procurement department in January 2018) checks the quality of the service as it is provided.

In 2017, the Group strengthened the following safeguards: *(i)* the quantitative and qualitative powers of the Procurement department; *(ii)* those of the Security and Compliance areas; and *(iii)* those of the Internal Audit department.

Lastly, to ensure the autonomy of the buyers in the Procurement department, the Company has introduced a rotation system that is linked to the importance of the services being purchased and to new and different categories of supplies.

A similar job rotation system was introduced for employees having contact with suppliers of medium/high risk services whereby they rotate their positions at intervals depending on their seniority within the organisation.

3. Compliance risks

Risks connected to the reference legislative framework

The new regulations for listed companies (on market abuse and the management of inside information) on data protection and the management of sensitive information, at both European and Italian level, expose the Group to the risk of non-transposition under the indicated provisions and therefore non-compliance. As a result, the Group could be subject to significant administrative sanctions by the Regulatory Authorities with negative economic, capital and financial repercussions. A system to update the corporate operational processes and procedures under the evolving legal framework has already been prepared and a system of internal dissemination of information has been set up involving the relevant persons.

The activities of the Group, particularly those carried out in the exhibition sites, and the number of persons (employees, suppliers, exhibitors, visitors, congress attendees and those involved in setting up exhibitions, etc.) that transit or work in the exhibition sites, expose the Group companies to the risk of accidents or breaches of the legislation governing workplace health and safety (Consolidated Law 81/2008). Should the laws on workplace health and safety be infringed, the Group could be subject to significant administrative sanctions or, in the case of accidents, it could be exposed to litigation with possible negative implications for its economic, capital and financial situation. The Group also makes extensive use of suppliers for services connected to the exhibitions (primarily stand-fitting and catering services) that come under the law governing contractors (Legislative Decree 223/2006 and subsequent amendments). Although the relationships of the workers from the contracting companies are exclusively with those companies, under the law, Group companies could be held jointly responsible with the

contracting companies for the payment of social security contributions for workers carrying out the contracts. Therefore, the Group is exposed to the risk of administrative sanctions (also under the provisions of Legislative Decree 231/2001) and interruption of its business for breaches of the relevant laws, including workplace health and safety and the regulations governing remuneration and social security, by contractors and unauthorised sub-contractors.

Fiera Milano Group protects itself from such eventualities by rigorously adhering to the relevant laws and by a careful risk analysis and implementing specific procedures that include:

- revising the procedures for the selection, contracting and management of suppliers and contractors, requiring that they meet very strict criteria;
- the preparation of the *Documento Unico per la Valutazione dei Rischi da Interferenze (DUVRI)* [Unified text on assessment of risks generated by interference between activities conducted simultaneously in the same workplace] and updating of the procedures to meet the requirements of Legislative Decree 81/2008;
- use of a computerised system (through the web portal) that records those entering the exhibition site and, in particular, those setting up exhibitions, and provides real-time monitoring of people flows;
- definition of the areas of the exhibition site to ensure that the legal safety requirements are met;
- the use of and delivery to suppliers and exhibitors of Technical Regulations for Exhibitions, which contain the rules to which exhibitors and suppliers must adhere when setting up exhibitions;
- the application of rigorous procedures for identification and control of third parties that are not clients (i.e. organisers, exhibitors and visitors) with access to the exhibition sites;
- contractual protection.

Administrative liability of entities

Legislative Decree of 8 June 2001 no. 231 introduced the “discipline governing administrative liability of legal entities, companies and of associations without legal status” (Legislative Decree 231/2001) amending Italian law to meet some international conventions and requiring the adoption and effective implementation of organisational and management models. To meet the requirements of this Legislative Decree, the Italian companies of the Group have introduced organisational and management models that are constantly monitored and updated. However, it cannot be excluded that the models adopted could be considered by the competent Authority to be inadequate or not sufficiently updated, resulting in legal sanctions being imposed even if crimes are committed under the provisions of the law by persons having a functional connection to Fiera Milano SpA and its subsidiaries for their own interest or advantage.

In 2017, when the judicial administration orders imposed on Fiera Milano SpA and its subsidiary Nolostand SpA were lifted, the Group implemented an updated version of the organisation and management Model, scheduled and ran training programmes, both online and in seminars, for all employees. The Model 231 is currently being updated (or adopted for the first time) by all the other Italian Group companies and this should be completed by the end of the first semester 2018. Foreign subsidiaries that are not obliged to adhere to the provisions of Legislative Decree no. 231/01 have not adopted organisation, management and control models under Decree 231. However, they have adopted the Code of Ethics of the Company and “Guidelines for the application of anti-corruption measures and other compliance programmes” in order to have a systematic reference framework of principles and standards for crime prevention.

Risks connected to third-party liability

In carrying out the activities of Fiera Milano Group unforeseen damage could occur to property or persons within the Group exhibition sites. The simultaneous presence of numerous workers with different contracts (employees, external suppliers in direct contractual relations with the Group and/or sub-contractors of other companies, etc.) also makes any eventual attribution of responsibility very difficult in cases of damage to property or persons, with potential consequences for the business of the Company and its corporate image. To guard against these risks, Fiera Milano Group has taken out insurance policies and has set up an internal unit (Exhibition Safety) responsible for circulating safety information and material for the correct management of such risks.

4. Financial risks

The Explanatory and Supplementary Notes to the Financial Statements give details of these risks in the section on financial assets and liabilities required by IFRS 7 – Financial Instruments - Disclosures.

Non-financial Information

“To meet the requirements of Article 5, paragraph 3, letter b of Legislative Decree 254/2016, the Company has prepared Consolidated Disclosure of Non-financial Information, which is a separate report. The 2017 Consolidated Disclosure of Non-financial Information, prepared in accordance with GRI Standards, is available on the Company website.”

Significant events after the end of the reporting period

On 19 February 2018, Fiera Milano SpA approved a Euro 0.800 million transaction that is payment for a future capital increase and is to strengthen the capital of the Brazilian subsidiary, Eurofairs International Consultoria e Participações Ltda.

Business outlook

The positive performance in 2017 has been confirmed by the exhibitions held in Italy in the first part of the current financial year with positive signals in terms of both exhibitors and visitors.

Despite expectations of a less favourable exhibition calendar in Italy due to the absence of some important directly organised biennial exhibitions, the Group forecasts 2018 EBITDA in the range of Euro 15-17 million, an improvement on the previous financial year, driven by cost rationalization.

The estimate for square metres of exhibition space occupied by directly organised exhibitions is 13% (compared to 32% in 2017) of a total of approximately 1.4 million square metres (1.5 million square metres in 2017).

The economic and financial performance in 2018 will be affected by the typical seasonality that characterises the exhibition business with a concentration of exhibitions in the first and second quarters of the year when exhibition space occupied is expected to be 500,000 and 440,000 net square metres respectively. The third quarter will suffer the usual absence of activity in the summer months with a recovery in September and net square metres of exhibition space occupied in this quarter should total 200,000 square metres.



Economic and financial performance of Fiera Milano SpA

Fiera Milano SpA Income Statement

(amounts in €'000)

| | 2017 | | 2016 restated | |
|--|----------------|--------------|-----------------|--------------|
| | | % | | % |
| Revenues from sales and services | 219,542 | 100.0 | 173,421 | 100.0 |
| Cost of materials | 871 | 0.4 | 506 | 0.3 |
| Cost of services | 120,382 | 54.8 | 100,614 | 58.0 |
| Costs for use of third party assets | 43,511 | 19.8 | 43,551 | 25.1 |
| Personnel expenses | 35,692 | 16.3 | 32,245 | 18.6 |
| Other operating expenses | 4,991 | 2.3 | 3,519 | 2.0 |
| Total operating costs | 205,447 | 93.6 | 180,435 | 104.0 |
| Other income | 5,697 | 2.6 | 5,230 | 3.0 |
| Allowance for doubtful accounts and other provisions | 4,901 | 2.2 | 5,241 | 3.0 |
| EBITDA | 14,891 | 6.8 | (7,025) | -4.0 |
| Depreciation and amortisation | 2,952 | 1.3 | 4,033 | 2.3 |
| Adjustments to asset values | 1,534 | 0.7 | 3,333 | 1.9 |
| EBIT | 10,405 | 4.8 | (14,391) | -8.2 |
| Financial income/(expenses) | 1,830 | 0.8 | 5,173 | 3.0 |
| Valuation of financial assets | (9,777) | -4.5 | (19,521) | -11.3 |
| Profit/(loss) before income tax | 2,458 | 1.1 | (28,739) | -16.5 |
| Income tax | 3,322 | 1.5 | (3,579) | -2.1 |
| Profit/(loss) from continuing operations | (864) | -0.4 | (25,160) | -14.4 |
| Profit/(loss) form discontinued operations | - | - | - | - |
| Profit/(loss) | (864) | -0.4 | (25,160) | -14.4 |
| Total Cash flow | 8,523 | 3.8 | (12,553) | -7.2 |

Starting with the Financial Statements at 31 December 2017, operating profitability will be calculated as EBITDA. The figures in the Financial Statements at 31 December 2016 that show a figure for gross operating profit have been restated to reflect this change. The difference between EBITDA and gross operating profit is that the latter does not include Provisions for doubtful receivables and other provisions.

Revenues from sales and services were Euro 219.542 million compared to Euro 173.421 million in 2016, an increase of Euro 46.121 million.

The increase in revenues was mainly due to the more favourable exhibition calendar, which, in the year under review, included the directly organised exhibitions held in uneven numbered years, Host, Tuttofood, and Sicurezza and the hosted biennial exhibition held in uneven numbered years Made Expo. The new exhibitions (Lamiera, Tempo di Libri and Versilia Yachting Rendez-Vous) also contributed to the increase in revenues as did the strong performance of Promotion Trade Exhibition, which, in 2016, had been a hosted exhibition. The increase was, in part, offset by the absence of the important biennial exhibition held in even numbered years, Mostra Convegno Expocomfort.

A breakdown of sales by geographic region is not given as Fiera Milano SpA operates almost exclusively on the domestic market.

EBITDA was Euro 14.891 million compared to an EBITDA loss of 7.025 million at 31 December 2016, an increase of Euro 21.916 million.

The increase in EBITDA reflects the increase in revenues. However, it was, in part, offset by higher consultancy fees for the revision of the corporate procedures and the Model under Legislative Decree 231/2001, the strengthening of the corporate governance organisational structure, the variable component of remuneration, costs associated with the launch of new proprietary exhibitions and for the repositioning of Bit.

EBIT was Euro 10.405 million compared to an EBIT loss of Euro 14.391 million at 31 December 2016. The increase of Euro 24.796 million reflects the trend in the EBITDA, lower impairment charges and lower amortisation and depreciation as some assets were fully depreciated. The impairment charges included Euro 0.332 million for the trademark Bias, Euro 0.754 million for the Fluidtrans Compomac trademark and Euro 0.448 million for the NF Travel & Technology Event trademark.

Net financial income was Euro 1.830 million compared to Euro 5.173 million at 31 December 2016. The Euro 3.343 million decrease reflected lower dividends from subsidiaries and joint ventures that was, in part, compensated by a reduction in financial expenses on lower average current and non-current debt.

The entry for **valuation of financial assets** was negative for Euro 9.777 million compared to a negative figure of Euro 19.521 million at 31 December 2016. This was due to the impairment charges taken on investments. Further details are provided in the Explanatory and Supplementary Notes to the Financial Statements.

The **net loss** at 31 December 2017 was Euro 0.864 million after taxes of Euro 3.322 million, compared to a net loss of Euro 25.160 million after a positive tax item of Euro 3.579 million in the previous financial year. The result includes a higher tax charge from the release of deferred taxes for tax losses that were offset by the taxable income in the period, as well as an increase in the current tax charge.

The Explanatory and Supplementary Notes to the Financial Statements provide further details on taxes.

Fiera Milano SpA Reclassified Statement of Financial Position

(Amounts in €'000)

| | 31/12/17 | 31/12/16 |
|--|-----------------|-----------------|
| Goodwill | 70,144 | 70,144 |
| Intangible assets with a finite useful life | 7,169 | 10,070 |
| Tangible fixed assets | 3,653 | 3,678 |
| Financial assets | 64,663 | 70,297 |
| Other non-current assets | 900 | 3,041 |
| A Non-current assets | 146,529 | 157,230 |
| Inventories | 2,233 | 4,467 |
| Trade and other receivables | 31,616 | 33,866 |
| B Current assets | 33,849 | 38,333 |
| Trade payables | 27,894 | 19,839 |
| Pre-payments | 38,880 | 34,670 |
| Tax liabilities | 1,282 | 905 |
| Provisions for risks and charges and other current liabilities | 38,936 | 30,936 |
| C Current liabilities | 106,992 | 86,350 |
| D Net working capital (B - C) | (73,143) | (48,017) |
| E Gross capital employed (A + D) | 73,386 | 109,213 |
| Employee benefit provisions | 4,967 | 5,003 |
| Provisions for risks and charges and other non-current liabilities | 528 | 1,998 |
| F Non-current liabilities | 5,495 | 7,001 |
| G NET CAPITAL EMPLOYED continuing operations (E - F) | 67,891 | 102,212 |
| H NET CAPITAL EMPLOYED asset held for sale | - | 2,750 |
| TOTAL NET CAPITAL EMPLOYED (G + H) | 67,891 | 104,962 |
| covered by: | | |
| I Equity | 59,571 | 60,488 |
| Cash & cash equivalents | (7,691) | (11,983) |
| Current financial (assets)/liabilities | 12,508 | 42,349 |
| Non-current financial (assets)/liabilities | 3,503 | 14,108 |
| Net financial position continuing operations | 8,320 | 44,474 |
| Net financial position asset held for sale | - | - |
| L Net financial position (TOTAL) | 8,320 | 44,474 |
| EQUITY AND NET FINANCIAL POSITION (I + L) | 67,891 | 104,962 |

The items in the Reclassified Statement of Financial Position correspond to those in the Statement of Financial Position of Fiera Milano SpA.

Net invested capital was Euro 67.891 million at 31 December 2017, a decrease of Euro 37.071 million compared to the figure at 31 December 2016.

Non-current assets were Euro 146.529 million at 31 December 2017 compared to Euro 157.230 million at 31 December 2016. The decrease mainly reflected the decrease in fixed assets due to value adjustments made following impairments tests on some investments and trademarks, a decrease in intangible assets due to amortisation and to the release of deferred taxes.

Net working capital, the balance of current assets and current liabilities, moved from a negative figure of Euro 48.017 million at 31 December 2016 to a negative figure of Euro 73.143 million at 31 December 2017. The improvement in net working capital reflected lower trade receivables and an increase in trade payables, advance payments for future exhibitions, and payables to exhibition organisers caused by the more favourable exhibition calendar.

Fiera Milano SpA has structural negative net working capital due to the favourable cash management cycle of exhibitions as clients make advance payment of part of the attendance fee. Furthermore, Fiera Milano SpA also manages these activities on behalf of third-party organisers and, in this way, generates positive cash flows also from renting exhibition space.

Equity was Euro 59.571 million, a decrease of Euro 0.917 million compared to the balance at 31 December 2016, mainly due to the net result for the period.

The **net financial position** at 31 December 2017 was net debt of Euro 8.320 million compared to net debt of Euro 44.474 million at 31 December 2016. The decrease in net debt of Euro 36.154 million was primarily due to the positive operating cash flow and the trend in net working capital that reflected higher payments and advances for exhibitions.

Investments at 31 December 2017 totalled Euro 6.443 million and the breakdown was as follows:

Investments

(€'000)

| | Full year at 31/12/17 | Full year at 31/12/16 |
|--|--------------------------|--------------------------|
| Intangible fixed assets | 448 | 3,045 |
| Tangible fixed assets | 1,141 | 881 |
| Financial fixed assets | 4,854 | 3,662 |
| Total investments in non-current assets | 6,443 | 7,588 |

Investments in intangible fixed assets totalled Euro 0.448 million and related mainly to the implementation of digital projects and the acquisition of software.

Investments in tangible fixed assets were Euro 1.141 million mainly for equipment and furnishings for use in exhibitions, plant and machinery, and improvements to the Rho exhibition site.

Investments in financial fixed assets totalled Euro 4.854 million and were mainly for the capital transactions in La Fabbrica del Libro SpA, Fiera Milano Exhibitions Africa Pty, Eurofairs International Consultoria e Participações Ltda and Fiera Milano Media SpA.

Note 42 of the Explanatory and Supplementary Notes to the Fiera Milano SpA Financial Statements provides information on related-party transactions.

Fiera Milano SpA personnel

Composition and turnover

The Company had 416 permanent employees at 31 December 2017 and the breakdown compared to the previous financial year was as follows:

Permanent employees at year end

(units)

| | 31/12/17 | 31/12/16 |
|--|------------|------------|
| Executives | 23 | 22 |
| Middle management and White collar workers | 393 | 386 |
| Total | 416 | 408 |

Permanent employees increased by eight compared to the previous year.

Twenty-six persons joined the Company, seventeen of which were to strengthen the corporate governance organisational structures, six in the marketing and operations departments and three interns who became permanent employees as part of the policy to take on junior employees who have first been employed on different types of contract. Eighteen persons left the Company: eleven were voluntary resignations, four were let go as part of the corporate restructuring, one transferred to another company, one was dismissed for just cause and the contract of one employee was revoked for the unsuccessful completion of the probationary period. The personnel that left were from the marketing and operations departments.

The turnover ratio of employees, calculated as the difference between those joining and those leaving the Company as a percentage of the average number of employees, was 10.7% in 2017 compared to 12.2% in 2016.

Movement in employees

| | 2017 | 2016 |
|-------------------|-------|-------|
| New employees | 26 | 17 |
| Leavers | 18 | 33 |
| Employee turnover | 10.7% | 12.2% |
| Internal mobility | 34 | 26 |

Fiera Milano SpA employs staff on fixed-term contracts during the peaks of activity in the exhibition calendar and for extraordinary projects. Employees on fixed-term contracts went from 16 in 2016 to 26 in 2017 and included two temporary managers.

Fixed-term contracts

| | Full year at 31/12/2017 | Full year at 31/12/2016 | Change |
|----------------------|----------------------------|----------------------------|-----------|
| Executives | 2 | 2 | - |
| White collar workers | 24 | 14 | 10 |
| Total | 26 | 16 | 10 |

Through agreements with the Milan Polytechnic, the Bocconi University, the Università Cattolica del Sacro Cuore, Iulm, the Università degli Studi di Milano, the Università degli Studi di Milano Bicocca, the Sole 24 ore Business School, the Istituto Europeo di Design, the Università Carlo Cattaneo –LIUC, Fondazione Fiera Milano and Fondazione *Le Vele*, in 2017, Fiera Milano SpA gave work experience to 42 persons allocated to various Company departments (Marketing, Management and Human Resources, Operations, Commercial Department, Customer Care, the Technical department and the Administration department). The average length of these internships was six months.

Part-time employees went from 55 in 2016 to 53 in 2017; 43 were horizontal part-time employees and 10 were vertical part-time employees.

Employees of Fiera Milano SpA fall into three main categories:

- executives with a managerial role.
- middle management with specialist roles.
- office staff and technical support staff.

Fiera Milano SpA has no manual workers as it outsources all activities for exhibition and setting-up services.

A breakdown by length of service in Fiera Milano SpA indicates the strong employee retention of the Company and confirms the figures for the previous financial year. The following table gives a breakdown of employees by length of service:

Breakdown by length of service

| | 31/12/17 | 31/12/16 |
|---------------------|-------------|-------------|
| < 10 years | 24% | 28% |
| From 10 to 20 years | 49% | 47% |
| > 20 years | 27% | 25% |
| Total | 100% | 100% |

Governing employment contracts

National Collective Employment Agreement

Fiera Milano SpA uses the National Collective Employment Agreement for employees of companies in the tertiary, distribution and services sectors and also a supplementary company contract for non-executive employees; this contract, due to expire on 30 May 2016, was first extended until 31 December 2017 and, subsequently, until 31 December 2018. Fiera Milano SpA – in an economic scenario that remains difficult - has strengthened its focus on its employees by identifying alternative ways of enhancing their wellbeing while, at the same, containing the costs to the Company.

The success of the Corporate Welfare Plan continued in 2017; this plan incorporates benefits, personal services and services to ensure an optimum work-life balance. The Company sets aside an equal sum for each employee to use on these benefits. The “WellFair” plan is accessible on-line and permits employees to choose the services that best suit them from amongst those identified by the Company under the provisions of prevailing law. It allows each individual to construct his/her own benefit package and to manage it as he/she sees fits until the credit allocated him/her has been exhausted.

Equal opportunities and non-discrimination

Fiera Milano SpA considers diversity and equal opportunities to be extremely important and this is expressed in its *Code of Ethics*, which states:

Fiera Milano offers all workers the same employment opportunities, operating in such a way as to ensure that all of them enjoy equitable treatment based on criteria of merit without any discrimination.

The competent functions must:

- *Adopt merit, skill, and in all cases, strictly professional criteria for any decision concerning an employee;*
- *Select, hire, train, pay and manage employees without discrimination;*
- *Create a work environment where personal characteristics cannot give rise to discrimination*

Fiera Milano interprets its entrepreneurial role in the protection of both work conditions and of the worker's psychological and physical integrity, respecting his/her moral personality, and preventing the latter from suffering illicit influences or undue difficulties.

In particular, with regard to the employment of women, Fiera Milano SpA prepares a biennial report on gender equality in hiring employees, training, promotion and other factors in order to have an overview of gender equality amongst its employees as required by Legislative Decree no. 198 of 11 April 2006.

In 2017, female employees numbered 259 representing 62% of total employees.

Safety

The safety of all its employees is mandatory for Fiera Milano SpA and it makes significant investments to ensure their safety. In 2017, persons with technical roles in the Company received health and safety training.

Training

The 2017 training programme of Fiera Milano SpA focused on the development of competences and expertise required to attain strategic objectives and to support the improvements to organisational and individual performance.

There was specialist training on the new and upgraded internal procedures of the various departments in which the procedures were studied in detail to identify the best of way of orienting employees to behave and adopt initiatives and working methods that are increasingly in line with those demanded by these internal procedures.

Particular attention was paid to the improvements to the organisational model under Legislative Decree 231. Training was initially through e-learning but, in the first semester 2018, training seminars will be held for all executives and managers.

E-learning was used to enhance self-learning through new information technology means and in order to build personalised courses in terms of content and time required that met the needs of those taking part in the courses. E-learning was used in advanced language training through on-line language programmes that were in addition to telephone conversations with mother tongue speakers of the various languages.

There were technical training courses on the *Arxivar* platform following the introduction of the single digital document management system. The training was to ensure that employees know how to use the new programme but also to initiate a standardisation and integration process that would give overall visibility and facilitate timely communication of documents and authorisations.

Inter-company events were also held during the year: these were workshops and seminars on various subjects to increase know-how, the ability to react to different situations, to learn from the best practice in use in other companies and to acquire knowledge of other matters of current importance.

During 2017 the 39 Fiera Milano training programmes involved approximately 421 employees for a total of 2,750 hours.

Other information

1. Equity investments held by members of the Administrative and Control Bodies and by General Managers and Executives with strategic responsibilities

The table below shows equity investments in Fiera Milano SpA and its subsidiaries held by members of the Administrative and Control Bodies, the General Managers and Executives with strategic responsibilities, as well as by their spouses not legally separated and children that are minors, directly or through subsidiary companies, trust companies or intermediaries that appeared in the shareholders' register at 31 December 2017 or from communications received or information obtained directly from the relevant parties.

| Name and surname | Position | Company in which shares are held | No, of shares held at 31.12.2016 | No, of shares acquired | No, of shares sold | No, of shares held at 31.12.2017 |
|--|----------------------------|----------------------------------|----------------------------------|------------------------|--------------------|----------------------------------|
| Directors** | | | | | | |
| Lorenzo Caprio | Chairperson | Fiera Milano SpA | - | - | - | - |
| Fabrizio Curci*** | Chief Executive Officer | Fiera Milano SpA | - | - | - | - |
| Alberto Baldan | Director | Fiera Milano SpA | - | - | - | - |
| Stefania Chiaruttini | Director | Fiera Milano SpA | - | - | - | - |
| Gianpietro Corbari | Director | Fiera Milano SpA | - | - | - | - |
| Francesca Golfetto | Director | Fiera Milano SpA | - | - | - | - |
| Angelo Meregalli | Director | Fiera Milano SpA | - | - | - | - |
| Marina Natale**** | Director | Fiera Milano SpA | - | - | - | - |
| Elena Vasco | Director | Fiera Milano SpA | - | - | - | - |
| Directors Left* | | | | | | |
| Roberto Rettani | Chairperson | Fiera Milano SpA | 50,000 | - | - | - |
| Corrado Peraboni | Director | Fiera Milano SpA | 15,250 | - | - | - |
| Attilio Fontana | Deputy Vice Chairperson | Fiera Milano SpA | - | - | - | - |
| Licia Ronzulli | Vice Chairperson | Fiera Milano SpA | - | - | - | - |
| Joyce Victoria Bigio | Director | Fiera Milano SpA | - | - | - | - |
| Renato Borghi | Director | Fiera Milano SpA | - | - | - | - |
| Pier Andrea Chevallard | Director | Fiera Milano SpA | - | - | - | - |
| Romeo Robiglio | Director | Fiera Milano SpA | - | - | - | - |
| Vincenza Patrizia Rutigliano | Director | Fiera Milano SpA | - | - | - | - |
| Statutory Auditors | | | | | | |
| Federica Palmira Nollì | Chairperson | Fiera Milano SpA | - | - | - | - |
| Antonio Guastoni | Standing Statutory Auditor | Fiera Milano SpA | - | - | - | - |
| Carmine Pallino | Standing Statutory Auditor | Fiera Milano SpA | - | - | - | - |
| No, of Executives with strategic responsibilities | | | | | | |
| | | | No, of shares held at 31.12.2016 | No, of shares acquired | No, of shares sold | No, of shares held at 31.12.2017 |
| Strategic Executives in charge | Fiera Milano SpA | no. 1 | - | - | - | - |
| Strategic Executives ceased to hold office | Fiera Milano SpA | no. 1 | - | - | - | - |

* No longer in office from 21 April 2017.

** Appointed on 21 April 2017.

*** Chief Executive Officer of the Company from 1 September 2017

**** Chief Executive Officer of the Company from 2 May 2017 until 31 August 2017

No person in the above table holds shares in the subsidiary companies of Fiera Milano SpA.



Report on corporate governance and ownership structure at 31 december 2017

In this Report on Corporate Governance and Ownership Structure (hereinafter the **“Report”**), Fiera Milano S.p.A. (hereinafter the **“Company”** or **“Fiera Milano”**) provides an account of its corporate governance system, information regarding the ownership structure, and disclosure on its compliance with the recommendations under the principles and application criteria of the Borsa Italiana Self-regulatory Code for Listed Companies, as amended in December 2011, July 2014, and in July 2015 (hereinafter the **“Self-regulatory Code”**). The term corporate governance is used to identify the body of rules and procedures for managing and controlling joint stock companies. An effective and efficient corporate organisation model must be capable of using the correct means to manage the business risks and potential conflicts of interest that can arise between Directors and shareholders and between shareholders with a controlling interest and those with a non-controlling interest in the Company. These aspects are of even greater significance in listed companies with a wide shareholder base.

The indications given by Borsa Italiana in the *Format for the Report on Corporate Governance and Ownership Structure* issued in January 2018 have been taken into account in the preparation of this Report.

1. Administration order under Article 34 of Legislative Decree 159/2011

In order to ensure a full understanding of the reference context, the main events relating to the administration order imposed on Fiera Milano and its subsidiary Nolostand S.p.A. (hereinafter **“Nolostand”**) in 2016 and which extended into 2017 have been summarised below. The administration orders for Nolostand and Fiera Milano were revoked on 20 June 2017 and 28 September 2017 respectively by the Antimafia Division of the Milan Court.

* * * *

On 6 July 2016, Nolostand, a subsidiary of Fiera Milano operating in the stand-fitting sector, was notified of an order by the Milan Court – Prevention Court Independent Section placing it under administration, under Articles 34 and following of Legislative Decree 159/2011 (anti-mafia laws and prevention measures, including new provisions covering anti-mafia documentation in accordance with Articles 1 and 2 of Legislative Decree of 13 August 2010 no. 136), for a period of six months due to its contractual relations with a supplier.

On 11 October 2016, Fiera Milano was issued with a similar order from the Milan Court – Prevention Court Independent Section placing it under administration for a period of six months although this order was limited to the “exhibition stand-fittings” business division. In accordance with the Court order, the Court-appointed Administrator of Nolostand, Mr. Piero A. Capitini, collaborated with the executives of Fiera Milano in authorising the termination of contracts and the stipulation of new contracts and orders with suppliers in the aforementioned operating area for amounts in excess of Euro 10,000. In October 2016, at the request of the Court-appointed Administrator, the Milan Court clarified certain aspects of its decision and detailed the roles and responsibilities of the Court-appointed Administrator and the boundaries of the “exhibition stand-fitting” sector.

Subsequently, at the end of the first hearing on the above matter held on 22 November 2016, the Milan Court ordered that the aforementioned administration procedures be unified as they involved matters that were closely connected.

On 1 December 2016, Fiera Milano communicated to the market that, together with its subsidiary Nolostand, it had requested that it be allowed to bring a civil action at the first hearing of the accelerated legal proceedings against certain persons connected with the “Consorzio Dominus” (a supplier of Nolostand, links with which had given rise to these circumstances) for aggravated fraud aimed at facilitating the mafia.

On 20 December 2016, the Milan Court – Prevention Court Independent Section extended for a further six months the administration order for Nolostand that was due to expire on 5 January 2017.

On 27 January 2017, following a hearing on 26 January 2017, the Milan Court – Prevention Court Independent Section:

- refused the request of the Public Prosecutor to extend the prevention measures of the administration order “to full control of the management bodies”;
- decreed that the administrative and management functions should remain in the hands of the Board of Directors;
- at the same time, gave the Court-appointed Administrator further powers over the following corporate activities: *i)* approval of operating procedures to safeguard the legality of administrative actions already requested of third-party consultants; *ii)* approval, in particular as far as concerns the means and timing of contract renewals, of the operating procedures for the procurement of goods and services already requested of third-party consultants; *iii)* monitoring of the efficacy and timeliness of the measures implemented by the Company, also through the use of external consultants, to ensure the legal safeguards for administrative actions during the period of the administration order; *iv)* quantitative and qualitative upgrading of the internal audit structure; *v)* revision of the audit plan and supervision of related activities; *vi)* revision of the corporate responsibility structure exclusively for procurement and compliance; *vii)* appointment and removal of the head of the compliance department, deciding the responsibilities of this role also for reputational checks on suppliers of goods and services and on the procedures governing whistleblowing.

As regards the implications of the above for the corporate governance and internal audit system of the Company, it should be noted that the Milan Court, in its judgement following the hearing of 26 January 2017, indicated that the Court-appointed Administrator “will act with the necessary collaboration of the administrative bodies” and that “the administration and management of the Company remain the domain of the Board of Directors of Fiera Milano S.p.A.”. Therefore, this judgement did not change or introduce any restrictions on the corporate assets of Fiera Milano or on the bodies appointed to manage the Company.

On 28 March 2017, the Antimafia Division of the Milan Court extended for a further six months the administration order imposed on the stand-fitting business division of the Company that was due to expire on 11 April 2017.

On 20 June 2017, the Antimafia Division of the Milan Court lifted the administration order imposed on the subsidiary Nolostand.

On 28 September 2017, the Antimafia Division of the Milan Court lifted the administration order imposed on the stand-fitting business division of Fiera Milano. The Company, in collaboration with the Court-appointed Administrator, implemented a series of initiatives aimed at optimising, correcting and introducing new rules to ensure more efficient and secure business management based on the introduction of new operational models and methodologies. Considerable work was done, in particular, on adopting Group procedures, controls required under Legislative Decree 231/01 and the new Supervisory Committee, as well as contracts with and management of suppliers.

* * * *

The Company gave immediate notice to the market of the administration orders and collaborated fully with the Court-appointed Administrator until the administration orders were lifted.

2. Description of the Issuer

Fiera Milano, an issuer of shares listed on the Italian Equity Market (MTA – *Mercato Telematico Azionario*) regulated by Borsa Italiana S.p.A. (hereinafter “**Borsa Italiana**”), uses a corporate governance system that meets the requirements of enacted laws, existing regulations and those of the Borsa Italiana Self-regulatory Code.

The Company uses a traditional administration and control model based on the existence of a Board of Directors and a Board of Statutory Auditors.

The Company qualifies as a Small and Medium Enterprise (hereinafter “**SME**”) under Article 1, paragraph 1, section *w-quater.1* of Legislative Decree of 24 February 1998 no. 58 (hereinafter the “**Consolidated Finance Act**”).

* * * *

It should be noted that, following the administration orders described in the Foreword, on 4 November 2016, the Board of Directors approved a request to Borsa Italiana for the voluntary withdrawal of the Company shares from the Segment of the Italian stock market for companies that meet the highest requirements of Borsa Italiana (the STAR segment) whilst maintaining their listing on the MTA. Following receipt of the formal request from the Company, on 7 November 2016, Borsa Italiana formally withdrew Fiera Milano from the STAR segment effective from 15 November 2016.

However, the Company has stated that it will continue to adhere to the corporate governance, information transparency, and liquidity requirements that are the qualitative standards of the STAR segment and that it intends to request Borsa Italiana to include its shares once more in the STAR segment when circumstances permit its readmission.

* * * *

Before analysing individual aspects that characterise the corporate governance of Fiera Milano, it should be noted that the Extraordinary Shareholders' Meeting of 21 April 2017, on the proposal of the majority shareholder, Fondazione Ente Autonomo Fiera approved several amendments to the Company Articles of Association.

The decision to amend the Company Articles of Association arose from the need to strengthen – also in consideration of the administration orders referred to in the previous section – the existing corporate governance provisions. The amendments were designed to ensure that the corporate governance model in the Company Articles of Association met best practice in the sector and the provisions of the Self-regulatory Code for Listed Companies issued by Borsa Italiana S.p.A., whilst also reinforcing the organisational and internal control structures within Fiera Milano.

The amendments to the Articles pertained primarily to the functioning of the Board of Directors and its members (Articles 14, 15, 16, 17 and 18 of the Company Articles of Association), and of the Board of Statutory Auditors (Article 20 of the Company Articles of Association) as illustrated in subsequent paragraphs of this Report.

Among the main innovations regarding the Board of Directors of the Company was the express adoption of a rule governing its functioning (adopted during the Board of Directors meeting of 10 July 2017) that specified, *inter alia*, the criteria for carrying out a periodic self-appraisal and imposed limits to the total number of administrative roles that can be held by Directors. The rules concerning independent directors were also amended. The list of responsibilities that are the exclusive domain of the Board of Directors was increased, a requirement to establish an Appointments and Remuneration Committee was established and the responsibilities of the Chairperson were more clearly defined.

As regards the Board of Statutory Auditors, the total number of administrative roles that could be held by each member and the requisites of independence of its members were specified by extending the requirements governing Board Directors to members of the Board of Statutory Auditors. The new version of the Company Articles of Association indicates the roles and responsibilities of the Board of Statutory Auditors.

The updated text of the Company Articles of Association of Fiera Milano S.p.A. is available on the Company website www.fieramilano.it in the section *Investor Relations/Corporate Governance/Articles of Association*.

* * * *

3. Disclosure on the ownership structure

Share capital

The paid in share capital is Euro 42,445,141.00 (forty-two million four hundred and forty-five thousand one hundred and forty-one) and comprises 71,917,829 (seventy-one million nine hundred and seventeen thousand eight hundred and twenty-nine) registered shares with no nominal value.

The shares are indivisible and each carries one voting right except in the case of treasury shares held directly and indirectly, which do not have this right.

The Company has issued no other financial instruments with rights to subscribe to newly issued shares.

At 31 December 2017, the Company had no share-based incentive schemes involving an increase, even without payment, of the share capital. Although there is no mandate for a share capital increase, the Shareholders' Meeting of 28 April 2016 approved the 2017-2023 Stock Option Plan aimed at using up to a maximum of one million treasury shares. Given the managerial and corporate governance changes in Fiera Milano and consistent with the remuneration policy of the Company, the meeting of the Board of Directors of 12 March 2018 decided to submit a proposal to the next Shareholders' Meeting for approval, in accordance with Article 114-*bis* of the Consolidated Finance Act, of a new medium/long-term incentive scheme, comprising both cash and performance shares, to be called the "Performance Share Plan 2018-2019". Further information on the Performance Share Plan 2018-2019, which replaces the previous "2017-2023 Stock Option Plan" is given in the Report on Remuneration prepared in accordance with 123-*ter* of the Consolidated Finance Act.

Restrictions on the transfer of shares

There are no restrictions on the transfer of shares.

Significant shareholdings

The Company is classified as an SME and, therefore, under Article 120, paragraph 2, of the Consolidated Finance Act the relevant level for the communication of significant shareholdings is 5%.

According to the shareholders' register and communications received pursuant to Article 120 of the Consolidated Finance Act, the shareholders that at 12 March 2018 held, directly or indirectly, shares equal to 5% or more of the share capital were as follows:

| Declarant | Direct shareholder | No. of shares | % of ordinary share capital | % of voting capital |
|--|---|-------------------|-----------------------------|---------------------|
| Fondazione E.A.Fiera Internazionale di Milano | Fondazione E.A.Fiera Internazionale di Milano | 45,898,995 | 63.821 | 64.666 |
| | Total | 45,898,995 | 63.821 | 64.666 |
| Camera di Commercio Metropolitana di Milano-Monza-Brianza-Lodi (ex Camera di Commercio Industria Artigianato e Agricoltura di Milano) | Parcam S.r.l. | 4,689,316 | 6.520 | 6.607 |
| | Camera di Commercio Industria Artigianato e Agricoltura di Milano | 1 | 0.000 | 0.000 |
| | Total | 4,689,317 | 6.520 | 6.607 |

Shares with special rights

No shares with special rights have been issued.

Employee stock options: mechanism for exercising rights

At 31 December 2017, there were no employee stock option plans.

Restrictions on voting rights

There are no restrictions on voting rights.

Shareholder agreements

There are no shareholder agreements pursuant to Article 122 of the Consolidated Finance Act.

Change of control clauses and provisions in the Articles of Association regarding tender offers

There are no change of control clauses pursuant to Article 123-*bis*, paragraph 1, section h) of the Consolidated Finance Act.

As regards tender offers, the Company's Articles of Association meet current regulations on the passivity rule and do not provide for the application of the neutralisation measures under Article 104-*bis*, paragraphs 2 and 3 of the Consolidated Finance Act.

Mandates to increase the share capital and authorisations for the acquisition of treasury shares

In the course of the 2017 financial year, the Shareholders' Meeting gave the Board of Directors no mandate to increase the share capital under Article 2443 of the Italian Civil Code.

The Ordinary Shareholders' Meeting of 21 April 2017 gave the Board of Directors authority to acquire treasury shares for a period of 18 months. The authorisation stipulated that (i) the maximum number of shares acquired, including those already owned by the Company and its subsidiaries, could not exceed 20% of the share capital of Company, (ii) the acquisition price could not be higher than the greater of the highest price of the last independent transaction and the current highest independent offer price on the trading date on which the acquisition is made, whilst respecting the requirement that the unit price of the shares not be 10% higher or 10% lower than the reference price of the shares on the Italian stock market on the trading day preceding any single transaction, (iii) shares could be disposed of in one or more transactions even before the authority to acquire the shares had been completed, and (iv) the disposal price could not be lower than the lowest price at which the shares were acquired; this restriction on the disposal price does not apply if the shares are disposed of as part of a stock option plan.

The Company did not use the buy-back mandate.

At the date of this Report, Fiera Milano SpA holds directly and indirectly 939,018 treasury shares, equal to 1.31% of the share capital.

Of the total figure for treasury shares, 920,768 directly held shares were acquired before the 2017 financial year under previous authorisations given to the Board of Directors and 18,250 treasury shares are held indirectly through Ipack Ima S.p.A. following the acquisition of the latter in 2015.

* * * *

Direction and coordination

As approved by the General Council of its controlling shareholder Fondazione Ente Autonomo Fiera Internazionale di Milano on 26 July 2004, Fiera Milano has organisational and management autonomy and is not subject to any direction or coordination, pursuant to Article 2497 and following of the Italian Civil Code, by the controlling company.

Any presumption of direction and coordination is negated by the fact that Fondazione Ente Autonomo Fiera Internazionale di Milano exerts no decisive influence on the long-term strategic plans or annual budgets of Fiera Milano or on its investment decisions, nor does it determine its policies regarding the acquisition of goods and services on the market, or coordinates any business initiative or activity in the sectors in which the Company and its subsidiaries operate.

4. Compliance

Fiera Milano adheres to the Self-regulatory Code, approved by the Corporate Governance Committee of Borsa Italiana in March 2006 and modified in December 2011, July 2014 and again in July 2015.

The Self-regulatory Code is publicly available on the website of the Committee for Corporate Governance at <http://www.borsaitaliana.it/comitato-corporategovernance/codice/2015clean.pdf>.

The governance structure of Fiera Milano is not affected by the jurisdictions of countries other than Italy.

5. Board of Directors

The Board of Directors has a central role in the Company organisation and is responsible for its activities and its strategic and operating guidelines, as well as for verifying that the necessary controls exist to monitor Company and Group performance.

The paragraph on the composition of the Board of Directors gives changes that have occurred in the course of the financial year and the current structure of the Board.

Appointments and replacements

As required by law and by the Company Articles of Association, the appointment of members of the Board of Directors is made from lists presented by shareholders who, either alone or in association with other shareholders, hold at least 2.5% of the share capital of the Company, as required by both the Company Articles of Association and by Consob Resolution no. 20273 of 24 January 2018. The lists must be deposited at the registered office of the Company at least twenty-five days preceding the date set for the first convocation of the Shareholders' Meeting and must be made publicly available at least twenty-one days prior to this date in compliance with enacted regulations.

Ownership of the minimum amount required to present lists is based on the shares that are registered to the shareholder on the day on which the lists are deposited with the Company. To prove ownership of the minimum number of shares required to present lists, shareholders must provide within the time required for the publication of the lists by the Company the relative certification released by authorised intermediaries in accordance with law.

Each list must be accompanied, within the aforementioned time, by (i) information concerning the identity of the shareholders that have presented the list and the percentage of the company held by these shareholders, (ii) statements in which each candidate agrees to be a candidate and declares that there is no cause that would make them ineligible or incompatible and that they meet the necessary requirements under enacted law to be appointed, including any requirements of independence for Statutory Auditors required by law and by the Self-regulatory Code, and that they do not exceed the limit to the total number of administration and control positions held in other companies, including those that are not listed; the statements must

indicate that each candidate possesses the capacity for free expression and must also include a specific undertaking from each candidate that he/she will maintain his/her ability for independent judgement free of any external influence for the duration of the mandate, as well as a specific undertaking to dedicate an amount of time to the position consistent with a correct and diligent fulfilment of the role and not to assume other administration and control positions that violate the internal regulation of the Company regarding the limit to the total number of positions held; (iii) a *curriculum vitae* of the business career of each candidate, indicating administrative and control and executive positions currently held and those held previously.

It is also a legal requirement that at least one Director be appointed from the list with the greatest number of votes presented by minority shareholders and that is in no way connected, even indirectly, with the shareholders who presented, or joined together to present, or voted for the list that received the highest number of votes.

With reference to the appointment and replacement of members of the Board of Directors, the Company Articles of Association, in compliance with the requirements of Article 147-ter, paragraph 1-ter, of the Consolidated Finance Act and Article 144-undecies 1 of the Consob Regulation approved with Resolution 11791 of 14 May 1999 and subsequent amendments and modifications (hereinafter the “**Listing Rules**”), requires that:

- the number of Directors respects the principle of gender balance and guarantees that the least represented gender has at least one third of the seats on the Board;
- the way in which the lists are drawn up and the substitution mechanisms for replacing persons during their mandate guarantee that the approved principle of gender balance is adhered to;
- the mechanisms used should the elected body not respect the approved principle of gender balance ensure that some or all of the last three persons elected from the list that obtained the highest number of votes and that are of the gender most represented must step down to ensure the principle of gender balance is respected and must be replaced by the first persons that failed to be elected on the same list that belong to the less represented gender.

The Directors must possess the requisite professionalism and probity under relevant prevailing laws, under penalty of ineligibility or forfeiture of appointment should these requisites be found to be lacking subsequent to their appointment. The composition of the Board of Directors must reflect an adequate level of diversity in terms of competences, experience, age, gender and international profile.

To co-opt Directors to the Board, the Board of Directors must ascertain in advance the optimum qualitative and quantitative composition in order to identify and ensure the correct theoretical profile (including their proven and continuing professionalism and independence) of the candidates.

The majority of the members of the Board of Directors must possess the necessary independence required of Statutory Auditors under enacted law and also under the Self-regulatory Code of Listed Companies of Borsa Italiana S.p.A.. Independent Directors must possess, according to documentary proof, the professionalism to ensure a high level of internal discussion in the Board of Directors and to make an effective contribution to the decision-making process of the Board.

The Board of Directors will ascertain that the requirements for independence have been met: (i) on the initial appointment of a new Director who qualifies as independent; and (ii) when any Director who qualifies as independent has his/her position renewed. The Board of Directors will ascertain annually that the requirements for independence of Directors that have already been appointed are still being met. In all cases, an assessment that each Director who is authenticated as independent meets the requirements of independence must be carried out by the Board of Directors under the principle of substance over form. Should the requirements for independence, as defined above, be found to be lacking in one of the independent Directors he/she will forfeit his/her position except when the majority of the Board of Directors still meets the requirements for independence. The independent Director that fails to meet the requirements of independence during his/her mandate must immediately inform the Board of Directors. Furthermore, the requirement of independence will be considered not to have been met if a Director has held three consecutive mandates as a Director of the Company.

It should be noted that, for information purposes, the full text of the Company Articles of Association, with the requirements given above, is available on the Company website www.fieramilano.it in the section *Investor Relations/Corporate Governance/Company Articles of Association*.

The number of independent Directors on the current Board of Directors exceeds the requirements of enacted law (the Consolidated Finance Act) and/or regulations (the requirements for the STAR segment of the Italian stock exchange and the Self-regulatory Code).

As indicated in the Self-regulatory Code, a Director of a listed company is not normally considered independent if:

- a) the Director, directly or indirectly, even through a subsidiary, fiduciary company or intermediary person, controls the issuer or is capable of exercising significant influence over it, or is part of a shareholding agreement through which one or more parties can exercise control or have a significant influence over the issuer;
- b) a Director has, or has held in the previous three financial years, a significant role (Chairperson, Executive Director, executive with strategic responsibilities) in the issuer or in one of its subsidiaries of strategic importance or in a company that is subject to common control by the Company, or in a company or entity which, also with others through a shareholding agreement, controls the issuer or is capable of exercising significant influence over it;
- c) in the preceding financial year, the Director has or has had, directly or indirectly, a significant business, financial or professional relationship with:
 - the issuer, one of its subsidiaries or any of its top management;
 - someone who, also together with others through a shareholding agreement, controls the issuer, or – if a company or entity – is connected with any of the relevant top management; or who is, or in the last three financial years has been, an employee of any of the aforementioned entities;
- d) a Director receives or has received in the previous three financial years from the issuer, or one of its subsidiaries or from a parent company, significant additional remuneration to the compensation agreed for a non-executive Director of the issuer or remuneration for being a member of a committee under the Self-regulatory Code, including any incentive plans linked to company performance, comprising those that are share-based;
- e) a Director has been a Director of the issuer for more than nine of the previous twelve years;
- f) a Director is an executive Director in another company in which an executive Director of the issuer is also a Director;
- g) a Director is a shareholder or Director of a company or entity belonging to the group of the company that is appointed as legal auditor to the issuer;
- h) a Director is closely related to a person in any of the situations described above.

Succession plans

The Company has not adopted a formal plan for the succession of the executive Directors as the regulations governing the Board of Directors includes specific rules for the co-option of Directors to the Board that are over and above those required by law and regulations.

If for any reason one or more Directors is no longer able to exercise their responsibilities, the Board of Directors, on proposals put forward by the Appointments and Remuneration Committee, will, under Article 2386 of the Italian Civil Code while respecting the rules governing the composition of the Board of Directors under the law and the Company Articles of Association, identify and assess that the replacement candidates meet the specific requirements in the aforementioned Code.

Lastly, the Appointments and Remuneration Committee as part of its advisory responsibilities, both pro-active and consultative, should, where necessary, examine and assess the criteria governing the succession plans for management.

Composition

The mandate of the current Board of Directors was given it by the Shareholders' Meeting of 21 April 2017 following the dissolution of the previous Board, appointed by the Shareholders' Meeting in 2015, caused by the resignation of the majority of its members on 13 January 2017 effective from the date of the Shareholders' Meeting held to approve the financial statements at 31 December 2016. The mandate of the current Board will expire at the Shareholders' Meeting convened to approve the financial statements at 31 December 2019.

The Shareholders' Meeting of 21 April 2017 approved a Board of Directors composed of eight members with the right to increase the number of Directors at a subsequent meeting. Following this decision, the Board of Directors gave the Director Ms Marina Natale responsibility for the ordinary management of the Company.

On 25 July 2017, the Shareholders' Meeting increased the number of members of the Board of Directors to nine and the latter then appointed Mr Fabrizio Curci as the new Director with a mandate that ran from 1 September 2017 until the expiry date for the mandate of the other Directors. Following the Shareholders' Meeting, the Board of Directors met and appointed Mr Fabrizio Curci as Chief Executive Officer and General Manager of Fiera Milano S.p.A. effective from 1 September 2017.

Therefore, the Board of Directors is currently composed of nine Directors. A brief *curriculum vitae* for each Director in office at 12 March 2018 giving his/her main personal and professional details, as well as a list of positions held is given below.

Lorenzo Caprio, Chairperson, appointed by Shareholders' Meeting on 21 April 2017 (**Independent Non-executive Director**).

Born in Milan on 19 November 1957, he graduated in Business and Economics from the Università Cattolica del Sacro Cuore in Milan. He is currently a tenured Professor of Corporate Finance in the Economics Faculty of the Università Cattolica del Sacro Cuore; he is also a Chartered Accountant registered in Milan and an External Auditor; since May 2007 he has been the Chairman of the Board of Statutory Auditors of Banca ITB S.p.A. and, from 23 April 2015, Chairman of the Board of Statutory Auditors of RCS Mediagroup S.p.A.; he is a member of the scientific committees of the *Journal of Management and Governance*, *Il controllo nelle società e negli enti*, *Banca Impresa e Società*, and the *Journal of Financial Markets and Institutions* and is a member of the Board of Governors of the Centro di Ateneo for the social doctrine of the Church at the Università Cattolica del Sacro Cuore.

Fabrizio Curci, Chief Executive Officer, appointed by the Shareholders' Meeting on 25 July 2017 and in office since 1 September 2017 (**Executive Director**).

Fabrizio Curci, Chief Executive Officer and General Manager of Fiera Milano S.p.A., was born in Barletta on 28 November 1972. He graduated in Economics, with a specialisation in marketing, from the Università Commerciale Luigi Bocconi in Milan and then attended its Intensive Managerial Programme in General Management.

At FCA – FIAT Chrysler Automobiles he headed up the EMEA after sales business unit and was responsible for the international launch of the Alfa Romeo brand and for Brand Operations in Europe, the Middle East and Africa.

At Olivetti – Tecnost he held several marketing and sales roles; in the Fiamm S.p.A. group, he was involved in sales, marketing & communication, and modern distribution for the automotive division.

Alberto Baldan, appointed by the Shareholders' Meeting on 21 April 2017 Independent Director under Article 148, paragraph 3 of the Consolidated Finance Act and under the Self-regulatory Code (**Independent Non-executive Director**).

Born in Venice on 21 October 1960, he graduated in Business and Economics. He is currently Chief Executive Officer of Grandi Stazioni Retail S.p.A. and a Board member of La Rinascente S.p.A., Illy Caffè S.p.A., Finiper S.p.A. and Iper Montebello S.p.A.

Stefania Chiaruttini, appointed by the Shareholders' Meeting on 21 April 2017 Independent Director under Article 148, paragraph 3 of the Consolidated Finance Act and under the Self-regulatory Code (**Independent Non-executive Director**).

Born in Este (Padua) on 11 August 1962, she has been a Chartered Accountant since 1997 and is a founding partner of the firm Chiaruttini & Associati.

She has always specialised in corporate crises and has been a consultant on behalf of business executives; she has acted both for the Public Prosecution Service and for the defence in cases of bankruptcy, corporate crimes and market fraud. She has played a part in significant company restructurings and has prepared and assessed financial, industrial and corporate strategies for companies undergoing problems in the roles of both advisor and expert witness.

She has held and still holds positions as Statutory Auditor, Director and Receiver in various companies and is an Official Receiver under Law 270/99 and the Marzano Law no. 347/03.

She was a member of the Committee of Experts of the Financial Information Unit of the Bank of Italy under Article 6 of Legislative Decree 231/07 and a member of the Commission set up to reform the competition procedures of the Justice Ministry. She has been a speaker at many congresses, lectured as part of university courses and is the author of numerous books and articles.

Gianpietro Corbari, appointed by the Shareholders' Meeting on 21 April 2017 Independent Director under Article 148, paragraph 3 of the Consolidated Finance Act and under the Self-regulatory Code (**Independent Non-executive Director**).

Born in Paderno Ponchielli (Cremona) on 15 November 1961, he graduated in Aeronautical Engineering from the Polytechnic of Milan in 1986. During his career, he has held increasingly responsible positions in important Italian companies that include Galbani S.p.A., Esselunga S.p.A. and Granarolo S.p.A.. He is currently the Chief Executive Officer and General Manager of Pam PANORAMA S.p.A..

Francesca Golfetto, appointed by the Shareholders' Meeting on 21 April 2017 Independent Director under Article 148, paragraph 3 of the Consolidated Finance Act and under the Self-regulatory Code (**Independent Non-executive Director**).

Born in Mirano (Venice) on 4 October 1950, she graduated in Economics and Business from the University of Venica Ca' Foscari. She was a Visiting Scholar at the Said Business School, Oxford University, and at the University of Toronto. She is currently a tenured Professor of Management and a Director of the Osservatorio Fiere of the Università Bocconi of Milan. She has taught and been a researcher in business finance, corporate strategy and business marketing at the Universities of Turin, Venice, Toronto and Oxford. She is a management consultant in corporate and market strategy. She is the author of numerous international publications - also on the exhibition sector. She has gained significant experience as a consultant in the organisation of international exhibitions.

She is a Chartered Accountant and External Auditor and is on the register of consultants of the Milan Court for corporate valuations. In particular, she has wide experience of valuing companies, IPO analyses, damages assessment, arbitration processes and technical consultancy.

She has been a member of boards of directors, both of listed and unlisted companies, of control and risk management committees, remuneration committees, and supervisory committees of companies in extraordinary administration. She is currently an independent director of Dea Capital S.p.A. and of Caleffi S.p.A.

Angelo Meregalli, appointed by the Shareholders' Meeting on 21 April 2017 Independent Director under Article 148, paragraph 3 of the Consolidated Finance Act and under the Self-regulatory Code (**Independent Non-executive Director**).

Born in Milan on 17 October 1967, he holds a degree in Aeronautical Engineering from the Polytechnic of Milan and took an MBA at the Università Bocconi of Milan. Following eleven years of national and international responsibility and experience in the Retail Banking Division of Unicredit Group and three years as a management consultant with Booz Allen & Hamilton, in 2012, he took a job with PayPal. In his four years as the General Manager of PayPal Italia, he guided the local office to reach new and challenging business targets, increasing the success of the brand on the Italian market. Since March 2017, he has been the Senior Director Commercial Solutions, Continental Europe, Middle East and Africa for PayPal while continuing in the role of Managing Director of PayPal Italy SE.

Marina Natale, appointed by the Shareholders' Meeting on 21 April 2017 Director and was the Chief Executive Officer of the Company from 2 May 2017 to 31 August 2017 (**Non-executive Director**).

Born in Saronno (Varese) on 13 May 1962, she graduated *summa cum laude* in Economics and Business from the Università Cattolica del Sacro Cuore in Milan.

In the course of her career, she has held numerous important positions in Unicredit S.p.A., and, in particular, has followed all the most significant M&A transactions of the Unicredit Group acquiring considerable corporate finance experience.

She is currently a member of the Investor Committee of the Italian Recovery Fund (ex Atlante II), a member of the Board of Directors of Valentino and, since July 2017, has been CEO of the fund management company S.G.A. S.p.A..

Elena Vasco, appointed by the Shareholders' Meeting on 21 April 2017 Independent Director under Article 148, paragraph 3 of the Consolidated Finance Act and under the Self-regulatory Code (**Independent Non-executive Director**).

Born in Hartford (USA) on 31 December 1964, she graduated *summa cum laude* in Economics and Business in Naples in 1989 and in 1991 received a Masters in Economics from Northeastern University, Boston.

She has been the General Secretary of the Milan-Monza-Brianza-Lodi Chamber of Commerce since 2015 and has worked there since 2009. Prior to that, from 1992 to 1997, she worked in Mediobanca Servizio Partecipazioni e Affari Speciali (consultancy, M&A and corporate finance). She then held several executive positions in the Hdp-RCS Group and was a member of numerous boards of directors within the Group including Valentino, RCS Editori, RCS Libri and RAI Sat.

She is currently a member of the board of directors of the listed companies DeA Capital S.p.A., Parmalat S.p.A. and Terna S.p.A..

With the exception of the Chief Executive Officer, all other members of the Board are non-executive Directors since none has any management responsibility.

For information on positions as Director or Statutory Auditor held by members of the Board of Directors in other companies listed on regulated markets, also foreign, or in financial, banking or insurance companies or companies of significant size, please refer to the section above and Table 1 of the present Report.

It should be noted that the number of independent Directors shown above exceeds the minimum ratio to the total number of Board Directors that is required under prevailing law and regulations.

The Board of Directors verified the requisite independence of the Directors at its Board meeting on 2 May 2017. On the aforementioned date, the Board of Statutory Auditors, as part of their duties under the law, verified that the Board of Directors had correctly applied the criteria and procedures for ascertaining and evaluating the independence of its own members.

The Chairperson of the Board of Directors and the Chairperson of the Board of Statutory Auditors therefore authenticated the existence of the requisite independence of the Directors based on declarations given to this end in accordance with enacted law.

Profiles of the members of the Board of Directors may be found on the Company website www.fieramilano.it in the section *Investor Relations/Corporate Governance/Corporate Bodies*.

Table 1, Structure of the Board of Directors and of the Committees, of the present Report also gives the names of Directors who ceased to hold this position during the financial year under review.

Diversity

In the financial year under review, the following measures were implemented regarding the Company's strategy of diversity in the composition of the administration, management and control bodies.

Under the current Company Articles of Association, the composition of the Board of Directors must meet the requirements for gender balance under the law. Moreover, the composition of the Board must reflect an adequate diversity in terms of competences, experience, age, gender and international profile.

On 10 July 2017, the Board of Directors adopted the Rules governing the Board of Directors of Fiera Milano S.p.A., prepared in accordance with the provisions of enacted law and the Self-regulatory Code for Listed Companies issued by Borsa Italiana S.p.A., which identifies - inter alia - further requirements for the Directors in addition to those required by law.

As a result, specific areas of competence were identified that were considered essential within the Board of Directors. These were:

- knowledge of the exhibition sector and the management procedures and risks of this business;
- experience of corporate management and/or corporate organisation acquired through administration, management and control experience in companies or groups of similar size;
- an ability to read and understand financial statements acquired through years of experience of corporate administration and control or in a professional capacity or through teaching at university level;
- an understanding of corporate governance (audit, legal and corporate aspects, etc.) acquired through years of audit or management control experience in companies of significant size or gained in a professional capacity or through teaching at university level;
- international experience and knowledge of foreign markets acquired through years of business or in a professional capacity in companies or groups with an international profile.

Total number of positions held in other companies

As required under the Company Articles of Association, the *Rules governing the Board of Directors* stipulate the maximum number of administration and control positions that can simultaneously be held by any Director and ensure that he/she carries out his/her responsibilities effectively as a Director of the Issuer.

The Rules governing the Board of Directors specifies the total number of positions that may be held by all members of the Board of Directors without prejudice to any more rigorous limits under existing laws and regulations. The Board of Directors assesses annually that the limit to the total number of positions that may be held is respected. Any Director that becomes aware that he/she exceeds this limit must, within ten days of learning this fact, communicate to the Company how the limit has been exceeded and, within ninety days, resign from one or more of the positions that he/she holds. Within five days of resigning, the member of the Board of Directors must communicate the position or positions from which he/she has resigned.

The limit to the total number of administration, direction and control positions under the Rules governing the Board of Directors are summarised in the following table.

| Fiera Milano S.p.A. | | Listed companies and/or banks, financial or insurance entities and/or those of material size (Italian/Foreign) | | |
|--------------------------------|---------------------|--|--|------------------------|
| | Executive positions | Non-executive positions or positions without control | | Total no. of positions |
| Chief Executive Officer | no | 2 | | 5 |
| | Executive positions | Non-executive positions or positions without control | | Total no. of positions |
| Chairperson | no | In companies in which Fiera Milano S.p.A. has NO shareholding | In companies in which Fiera Milano S.p.A. has a shareholding | 8 |
| | | 3 | 5 | |
| | Executive positions | Non-executive positions or positions without control | | Total no. of positions |
| Non-executive Directors | 3 | When executive positions are also held | | 10 |
| | | 5 | | |
| | | When executive positions are NOT held | | |
| | | 7 | | |

Under the *Rules*:

- executive positions means: Chief Executive Officer, Member of the Management Committee, Chairperson of the Board of Directors or of the Supervisory Committee; General Manager;
- non-executive positions and positions without control means: members of the Board of Directors having no executive responsibilities, members of the Supervisory Committee; and members of the Board of Statutory Auditors;
- companies of material size mean those with consolidated revenues in excess of Euro 500 million or with a total number of employees exceeding 500.

Lastly, in addition to any other incompatibilities under the law, political or trade union positions are also considered incompatible.

Induction program

In the course of the 2017 financial year, the Chairperson and the Chief Executive Officer were diligent in informing the Board of Directors of market conditions in the exhibition sector in which Fiera Milano S.p.A. operates, of corporate trends and their evolution and of the reference legal framework.

Moreover, due to the important actions implemented during the period of the administration order, the Board of Directors was given constant and timely notification of measures to update the corporate processes and procedures, as well as of the development of the organisational structure of the Fiera Milano Group.

Role and responsibilities of the Board of Directors

The Board of Directors is vested with the widest possible powers for ordinary and extraordinary management of the Company. In particular, it has the power to take any action it deems appropriate or useful for the achievement of corporate aims, with the exception of those actions that, by law, are the prerogative of the Shareholders' Meeting.

In addition, under Article 17.1 of the Company Articles of Association, responsibility for the following is also attributed to the Board of Directors:

- (i) merger decisions in cases indicated in Articles 2505 and 2505-bis of the Italian Civil Code;
- (ii) creation and closure of secondary branches;
- (iii) reduction in share capital in the case of withdrawal by shareholders;
- (iv) amendment of Company Articles of Association to meet regulatory requirements;
- (v) transfer of the Company's registered office within the Province.

Under Article 17.2 of the Company Articles of Association, in addition to the responsibilities that by law may not be delegated, the Board of Directors also has exclusive responsibility for:

- (a) the purchase, subscription, and transfer, taking direct responsibility for the same, of shares, shareholdings or interests in other companies, including newly constituted companies, and transfer of option rights, with the exception of transactions concerning mere investment of liquidity;
- (b) approval of all risk assumption and risk management policies, with no exceptions, as well as evaluation of the functionality, efficiency and efficacy of the internal control system of the Company;
- (c) the spin-off of property and movable assets to other companies, both those in the process of being constituted and those already constituted;
- (d) any form of loan taken out by the Company exceeding the limit of 30% of equity;
- (e) agreements for mortgages, encumbrances or other guarantee rights of any type whatsoever on all or relevant parts of the Company's bonds, property or assets;
- (f) budget approval;
- (g) the granting by the Company of bank guarantees to third parties;
- (h) the stipulation of contracts concerning property assets, with the sole exception of building leases taken out for the activities of the Company for periods not exceeding six years;
- (i) the purchase, sale, creation, rental and stipulation of licenses for patents, trademarks, models, internet domains and/or sites, satellite or cable TV channels, publications, copyrights and similar items, and all intellectual property rights in general, relating to the corporate purpose;
- (j) the award of appointments, consulting assignments and other service assignments exceeding Euro 100,000 (one hundred thousand) not envisaged in the budget to parties in any case extraneous to the Board;

- (k) the appointment of the General Manager and eventually a Deputy General Manager on the proposal of the Chief Executive Officer, if appointed, and decisions regarding his/her responsibilities; other senior managers, including in the internal control department, may be appointed by the Chief Executive Officer as long as the Board of Directors is informed promptly of any such appointments;
- (l) the appointment or termination of the position of Manager responsible for preparing the Company's financial statements;
- (m) the appointment of the Supervisory Committee;
- (n) the constitution and disbanding of internal Committees of the Board of Directors, the appointment and removal of their members and approval of their operating procedures;
- (o) appointment and removal of the person responsible for the internal audit as proposed by the Chief Executive Officer, after having obtained the opinion of the Board of Statutory Auditors and of the Independent Directors.

The Board of Directors also decided that it should have exclusive responsibility for the following:

- preparing and approving the business plan, as proposed by the Chief Executive Officer, and the strategic objectives contained therein, as well as the budget for the financial year;
- as regards top management (meaning those executives reporting directly to the Chief Executive Officer with gross annual earnings in excess of Euro 200,000), the power to employ, promote, transfer, discipline and dismiss them, establishing their responsibilities, placement, remuneration, both fixed and variable, and any eventual attached and/or ancillary agreements to the employment contract while respecting the employment policy under Article 17.2 paragraph b) of the Company Articles of Association;
- all extraordinary administrative measures.

On 10 July 2017, the Board of Directors approved *Rules* aimed at bringing the organisation and functioning of the Company Board of Directors in line with enacted law, the Company Articles of Association, the Self-regulatory Code of Listed Companies issued by Borsa Italiana S.p.A., and with internal governance procedures.

These *Rules governing the Board of Directors*, with the attachments that form an integral part of them, govern the appointment and composition, the functioning, responsibilities, powers and means of the Board of Directors and how to introduce amendments to the *Rules*. Any omission in the *Rules* is covered by the provisions of law and regulations *ratione temporis*.

Meetings of the Board of Directors are usually held according to a timetable that is approved at the start of the year in order to ensure maximum attendance at the meetings. They are also held whenever required or if there is a request from at least one third of the members of the Board or from a Statutory Auditor and in any circumstances under the law.

The corporate calendar is available on the Company website www.fieramilano.it in the section *Investor Relations/Financial Calendar*.

The Chairperson ensures the correct functioning of Board meetings and is supported by the Secretary in ensuring the timely delivery and adequacy of the documentation supplied ahead of the Board meetings and in ensuring that the confidentiality of the data and information given is maintained. In the absence or impediment of the Chairperson, meetings of the Board of Directors are chaired by the most senior independent Director by age.

Under the Company Articles of Association, the majority of the current members of the Board of Directors must be present for any Board decision to be valid. Decisions are taken using an absolute majority of those Directors present. In case of a split outcome, the chairperson of the meeting will have the casting vote.

Under Article 2391 of the Italian Civil Code, each Director must notify the Board of Directors and the Board of Statutory Auditors of any interest he/she may have or may have on behalf of third

parties in any given transaction and must provide adequate information of such an interest as required by law.

Board Directors and Statutory Auditors receive the documentation and information sufficiently in advance of the date of the Board of Directors meeting to allow them to speak knowledgeably on the arguments submitted to them for discussion and approval.

The Board of Directors decided that the appropriate advance period for documentation given to Directors and Statutory Auditors ahead of Board meetings was three days prior to the date of the meeting, except in emergency cases when the documentation will be made available as soon as possible. The Chairperson ascertains that the aforementioned information has been provided to the Directors and the Statutory Auditors and affirms this at the start of the meeting.

The relevant Company department prepares support documentation by compiling information and/or deliberation sheets that provide all the elements necessary for the Directors to make informed decisions.

The support documentation is considered available when it may be viewed and downloaded from the Restricted Area (<https://filebox.fieramilano.it> - *Cartella Consiglio di Amministrazione*). The members of the Board of Directors and interested entities are notified by the Chairperson that the documents are available in the Restricted Area through the appropriate corporate departments and the documents are accessed using the accreditation methods set up by these departments.

Communications made and decisions taken at meetings of the Board of Directors are minuted. Under the Company Articles of Association, the Secretary to the Board prepares the minutes of the meetings. Following a Board meeting, a draft of the minutes is given to all Directors and Statutory Auditors for their comments. These are then communicated to the Secretary. The definitive version of the minutes, prepared by the Secretary, are approved at the next Board meeting and are signed off by the Chairperson and the Secretary to the Board and included in the Company records.

During the financial year to 31 December 2017, the Board of Directors met twenty-five times with a high attendance rate for all Directors (the number of meetings attended by each member of the Board of Directors is shown in Table 1). The average duration of the Board meetings was approximately two hours. At the date the present Report was approved, two Board meetings had been held in the current financial year.

The members of the Board of Directors have declared and have guaranteed that they will effectively carry out their roles and dedicate to them the necessary time. This was evidenced by the significant number of Board meetings held in the 2017 financial year and by the high attendance rate of Directors at the Board meetings.

Group executives, who are responsible for the corporate activities pertaining to matters that are on the agenda, are invited to attend Board meetings and provide additional information on matters under discussion.

The Chairperson of the Board of Directors

Under Article 18 of the amended Company Articles of Association (the text proposed by the majority shareholder Ente Autonomo Fiera Internazionale di Milano and approved by the Shareholders' Meeting of 21 April 2017), the Chairperson of the Board of Directors is appointed from the Directors who meet the requirements for independence under the same Article. In addition to the responsibilities he/she has under the law, the Chairperson of the Board of Directors, in accordance with specific requirements contained in the Articles of Association, as recognised in the relevant resolutions approved by the Board of Directors on 2 May 2017 and 10 July 2017, has further duties; he/she sets the agenda for Board Meetings, promotes internal discussion, ensures the effective functioning of the corporate governance system and guarantees the balance of power with the Chief Executive Officer. The Chairperson of the Board of Directors coordinates the work of the Board and ensures that adequate information regarding items on the agenda of meetings is provided to all members. Specifically, the Chairperson ensures that (i) the

Directors receive suitably in advance any documentation regarding matters to be discussed at the meeting or, at least, basic information on these matters; (ii) the documentation on matters to be discussed and, in particular that provided to the Non-executive Directors, is both qualitatively and quantitatively sufficient as regards the items on the agenda.

The Chairperson is the direct point of contact between the Board of Directors and the internal control bodies and the committees within the Board of Directors.

For this reason, under Article 20 of the Company Articles of Association, in addition to the requirements of the Independent Directors, the Chairperson must have the necessary expertise to carry out the responsibilities given him/her.

The Chairperson of the Board of Directors supervises and coordinates with the Chief Executive Officer institutional relations and may not be given any executive responsibilities.

The Chairperson of the Board of Directors may not have any executive role.

Under Article 13 of the Company Articles of Association, the Chairperson manages shareholder meetings, verifies the proper constitution of the meeting, ascertains the identity and eligibility of those present, regulates meeting proceedings - including the order and duration of spoken contributions, stipulates the voting system, the counting of votes – and scrutinises the results of any voting.

Lastly, under Article 19 of the Company Articles of Association, the Chairperson of the Board of Directors represents the Company before any judicial or administrative authority and has the corporate signing authority.

Chief Executive Officer

On 13 January 2017, the Chief Executive Officer, Mr Corrado Peraboni, appointed on 29 April 2015, resigned and the Board of Directors gave responsibility for the ordinary management of the Company to the Chairperson, Mr Roberto Rettani.

On 2 May 2017, the first meeting of the Board of Directors appointed by the Shareholders' Meeting of 21 April 2017 was held. At that meeting, the Director Ms Marina Natale agreed to assume temporary responsibility for the ordinary management of the Company until a new Chief Executive Officer could be found.

On 25 July 2017, the Ordinary Shareholders' Meeting of Fiera Milano approved an increase in the number of Board Directors to nine and appointed Mr Fabrizio Curci as the new Director effective from 1 September 2017 and until the mandate of the other Directors expired, which is at the Shareholders' Meeting to approve the financial statements at 31 December 2019. The Board of Directors met at the end of the Shareholders' Meeting and appointed Mr Fabrizio Curci as Chief Executive Officer and General Manager of Fiera Milano S.p.A. effective from 1 September 2017.

The Chief Executive Officer is invested with all the powers necessary for the management and ordinary administration of the Company except for those that are reserved by law to the Board of Directors and those indicated in Article 17.1 and 17.2 of the Company Articles of Association and any further matters that are the responsibility of the Board of Directors.

On 25 July 2017, the Board of Directors effective from 1 September 2017 with further additions on 18 September 2017, invested Mr Curci with the following powers:

1. as part of the corporate activities to specify, amend and conclude property leases with annual rental of no more than Euro 2,000,000 for each lease and for periods not exceeding six years;
2. to specify, amend and conclude consultancy and collaborative contracts, contracts for the use of intellectual property and professional services in general for a contract amount not exceeding Euro 1,000,000 without prejudice to the fact the Board of Directors is responsible for appointments, consultancies and services for over Euro 100,000 that are not part of the budget and that are given to third parties outside the Board of Directors;

3. to negotiate and carry out cash transactions in foreign currencies for a maximum amount of Euro 2,000,000;
4. to acquire, dispose of and negotiate derivative contracts (swaps, futures and options) with the proviso that such transactions may only be done to cover interest rate, price, and exchange rate risks and to cover stock exchange movements in shares or other financial instruments held by the Company and always for a notional amount not exceeding Euro 2,000,000 per transaction;
5. to fulfil provisions under the law that govern the circulation of shares and dividend distributions with the ability to sign declarations;
6. to give mandates to banks, credit institutions, financial and trust companies to carry out share services on behalf of the Company negotiating the relative conditions and making the necessary payments;
7. to reach agreements concerning the receivables of the Company including the payment conditions of contracts with third parties for amounts not exceeding Euro 1,000,000 per transaction;
8. to negotiate and finalise, under any form, mortgage agreements and financing, including discounting and factoring transactions, for single transaction amounts representing no more than 30% of the equity of the Company, as well as to request and accept guarantees for a maximum amount not exceeding 30% of the equity of the Company;
9. in the interests of the Company and/or in the interests of and/or in favour of directly or indirectly controlled companies or entities and for sums not exceeding Euro 5,000,000, to request bank and/or insurance guarantees, letters of guarantee and, in general, reliance letters, to sign the relative agreements, give guarantees of all types, sign indemnities and/or warranties, endorsements, comfort letters, and finalise and sign financing transactions and/or bank guarantees;
10. to ask without limits bank and/or insurance guarantees, letters of guarantee and general reliance letters in compliance with a request for repayment of taxes and/or duty to the Company;
11. to represent the Company both in Italy and abroad in all matters and requirements relating to taxes, duties, and national insurance contributions and, for example, sign as the legal representative the annual tax returns, the VAT returns, the annual withholding tax forms; sign, present and negotiate statements, appeals, claims and disputes with the Tax and Customs Authorities, the Tax Commissions of all levels, including the Central Tax Commission, and the Judicial Authority, negotiate and settle tax disputes, appointing and dismissing as necessary solicitors, defence lawyers, consultants and expert witnesses;
12. to represent the Company, both actively and passively, in Italy and abroad, before judicial, civil and criminal authorities, administrative and financial authorities in any area and level of jurisdiction also before courts of appeal and the high court, appointing and dismissing as necessary defence lawyers, solicitors, counsellors, consultants and expert witnesses and all with the power to table formal complaints on behalf of the Company;
13. to negotiate and settle legal and out-of-court disputes, make out-of-court settlements for a maximum of Euro 1,000,000 per dispute; submit disputes to formal or informal arbitration;
14. to represent the Company in individual labour disputes governed by Chapter IV, Book II of the Civil Procedure Code, represent the Company in the aforementioned actions, taking part in hearings under Articles 420 and following of the Civil Procedure Code with full powers to settle or agree disputes in the role, for this purpose, of public prosecutor in accordance with the aforementioned Article 420 of the Civil Procedure Code;
15. for employees that are not part of management and those managers that are not top managers (top managers being those that report directly to the Chief Executive Officer and that have gross annual salaries in excess of Euro 200,000), to employ, promote, transfer, discipline and dismiss, determine their duties, placement, remuneration, both fixed and variable, and any ancillary and/or extra agreements to the employment contract, while respecting the employment policies under Article 17.2 paragraph (b) of the Company Articles of Association;

16. to release certificates and returns for employee income, wage slips and any other matters concerning employees and social security and social and national insurance agencies and other public and/or private entities;

17. to represent the Company, in Italy and abroad, before social and welfare agencies, trade unions and organisations for employers and employees, law enforcement agencies, social security agencies, the ASST (*Azienda Socio Sanitaria Territoriale*), ATS (*Agenzia di Tutela della Salute*), IRCCS (*Istituto di Ricovero e Cura a Carattere Scientifico*), employment offices and mediation and arbitration organisations, and to sign national, local and company trade union agreements and negotiate as part of any related disputes;

18. to represent the Company, in Italy and abroad, in matters under Legislative Decree no. 58 of 24 February 1998 and before Borsa Italiana S.p.A., the Commissione Nazionale per le Società e la Borsa (Consob) or other bodies that manage and/or govern regulated financial markets, the Ufficio Italiano dei Cambi, Monte Titoli S.p.A., the Italian Monopolies and Mergers Authority, the Bank of Italy, courts, Business Registers, Chambers of Commerce and Industry, government ministries and any other organisational bodies, government departments, associations, and legal entities or individual, shareholders and with the power to sign any declarations, documents and/or communications, statements, and certificates considered necessary and/or appropriate;

19. to represent the Company at meetings of shareholders, associations, foundations, consortia and entities in which the Company has a shareholding and with the power to delegate such representation;

20. to stipulate, amend and cancel purchase, exchange and sales contracts and those for the supply of goods, raw materials, finished and semi-finished products and any product required for the Company business limited to a value of Euro 2,000,000 for any transaction;

21. to stipulate, amend and cancel tender contracts of any kind, including services, works, and transport contracts, commission agreements, deposit contracts, agency contracts, distribution, loan for use, hire, agency and carrier services agreements for sums not exceeding Euro 20,000,000 for any transaction;

22. to represent the Company in tenders and, in general, any procedures for the award of contracts of any kind, for concessions or sub-concessions from public or private entities and their agents and sub-agents, stipulating and signing contracts in the name of and on behalf of the Company, giving expressions of interest, applications, financial quotations or any other relevant statement or declaration defining prices, agreements and conditions and signing these concession or sub-concession agreements;

23. to dispose of, destroy or scrap machinery, equipment, plant, vehicles and any other type of asset having completed any formalities required by the public registers for ownership and including the cancellation of mortgages;

24. to stipulate, amend and cancel insurance contracts covering all types of risks, lease and factoring contracts for sums not exceeding Euro 5,000,000 for any single transaction;

25. to stipulate, amend and cancel contracts to acquire IT, electronic, telecommunications and office automation technology, products and services for sums not exceeding Euro 2,000,000 for any single transaction;

26. to carry out banking transactions, including opening bank accounts, making deposit agreements, transferring cash and cash equivalents among banking institutions and using the current account and overdraft facilities within the credit limits previously requested and obtained by the Company;

27. on behalf of the Company, to instigate any preventive or enforcement, seizure, and injunction measures, attachment orders and revoke these; to protest against bills of exchange; to issue a garnishee statement to the judicial authorities while adhering to the provisions of prevailing law, with special reference to the provisions of Article 547 of the Civil Procedure Code and following;

28. to intervene in bankruptcy procedures, inject money into bankrupt companies, sign agreements, demand partial or final distribution, intercede in arrangements with creditors and approve or reject them;

29. to represent the Company, in Italy and abroad, in bids and tenders to provide and supply public and private, government and quasi-governmental and local entities stipulating and signing in the name of and on behalf of the Company all the relevant papers, determining prices, agreements and conditions, granting and redeeming guarantee deposits, cashing the money agreed and issuing valid receipts and liability release declarations to the accounts offices, departments and persons responsible for making the payments;

30. to represent the Company, in Italy and abroad, instigating any compliance or transaction with any public, government or private entity including any municipal, provincial, regional or state entity, the ASST (*Azienda Socio Sanitaria Territoriale*), ATS (*Agenzia di Tutela della Salute*), IRCCS (*Istituto di Ricovero e Cura a Carattere Scientifico*), the tax authorities, business registers, railway companies, post office, land, sea and air transport companies with all necessary powers and to the full extent permitted by law;

31. to sign statements regarding regulatory status or compliance, consular invoices, import and export certificates and forms, and to carry out any required transactions with customs with the authorisation to make and collect any necessary deposits, sign application statements and forms;

32. to sign reports regarding inspections of any kind by public officials with the power to instigate disputes, make declarations, express reservations and provide corrections and clarifications;

33. to take all measures and sign all statements regarding compliance with Legislative Decree 196/2003 on the processing of personal data and data protection and appoint one or more persons to be responsible for processing personal data;

34. to assign and revoke responsibilities and general and/or special powers for specific acts or category of acts within the limits of the powers assigned;

35. to have, in accordance with Article 19 of the Company Articles of Association, the signing authority and legal representation on behalf of the Company, either with third parties or in legal matters concerning Fiera Milano for all matters delegated him by the Board of Directors preceding his name with the words "Chief Executive Officer";

36. to assume the responsibilities of the "Director appointed to oversee the internal control and risk management system" in accordance with Article 7 of the Self-regulatory Code;

37. and any other management or representation powers for the ordinary management of the Company but specifically excluding any related to the extraordinary management of the Company.

The Board of Directors gave further roles and responsibilities to the Chief Executive Officer as part of his role as the Director appointed to oversee the internal control and risk management system as indicated in the Self-regulatory Code; the appointment as Statutory Employer of Fiera Milano under Article 2, paragraph 1, letter B) of Legislative Decree 81/08 and designated the same person as the person responsible for environmental safety and protection, giving him all the necessary executive, management and decision-making powers and funds required to ensure that the laws regarding environmental safety and protection are respected.

The Chief Executive Officer reports to the Board of Directors at least quarterly and whenever the Board meets on his activities, the general trend and outlook of the business, as well as the main economic, financial and equity transactions or those of most significant size and nature carried out by the Company and its subsidiaries.

The Board of Directors also gave Mr Curci specific responsibilities regarding his role as General Manager of Fiera Milano and required him to report to the Board of Directors on these responsibilities at least quarterly.

Specifically, as General Manager, Mr Curci is responsible for:

1. implementing the business plan approved by the Board of Directors;
2. implementing the decisions taken by the Board of Directors, also through coordination of subordinate bodies, and ensuring their timely execution;
3. instituting all necessary measures to ensure the regular operating of the Company;
4. defining the corporate organisational chart and supervising activities so that all departments act in coordination with each other;
5. coordinating the conduct of all corporate functions, assigning responsibilities, setting targets and ascertaining if these targets are met;
6. identifying and appointing those responsible for the services and sectors and coordinating their activities;
7. managing all services and the operating units of the structure through the implementation of policy-making, coordination and administrative supervisory functions for employees and external collaborators;
8. making available and/or authorising the payment of the salaries and monthly contributions of the employees of Fiera Milano, and taking any action to ensure the above and carrying out and/or subscribing to any means useful or necessary to compile the forms for the payment of costs related to the monthly wages (i.e. national insurance contributions and statutory deductions) and the payment of these costs;
9. coordinating and optimising all Company operations and projects to enhance their efficiency and ensure they work towards the aims of the Company;
10. carrying out investigations, studies and analyses aimed at formulating proposals for increased efficiency and defining the responsibility matrix and the organisational structure;
11. supervising the work organisation;
12. ensuring strict respect of laws, internal regulations and instructions;
13. overseeing the scheduling of periodic assessments of workloads, service productivity and of the operating units.

Self-appraisal by the Board of Directors

At least once a year, the Board of Directors carries out a self-appraisal of the functioning, composition and size of the Board of Directors and of its committees, providing information of any professional qualities it deems should be present in the Board of Directors.

The appraisal is carried out under the Rules governing the Board of Directors of Fiera Milano.

The present Report includes notification that the appraisal has been done and, where considered appropriate, the results of the self-appraisal.

The Chairperson of the Board of Directors instigates and manages the self-appraisal and identifies any internal and/or external persons that should be involved in the process. The self-appraisal takes place as follows:

- identification of the appraisal parameters for the current financial year and the quantitative and qualitative valuation criteria;

- gathering of qualitative information on the Directors, including updating curricula vitae, the list of positions held by each Director, training courses followed and any related-party transactions;
- gathering information on attendance at Board meetings, the length of the meetings and the subjects discussed at the meetings;
- the use of anonymous questionnaires to ascertain the opinion of the Directors regarding the assessment parameters for the composition and *modus operandi* of the Board itself and the internal committees of the Board. The questionnaires are updated and/or amended annually depending on the aim of the self-appraisal for that financial year;
- assessment of the qualitative information received regarding compliance with the law, good governance and the Rules governing the Board of Directors and regarding the profiles of the Board members;
- final assessment of information deriving from the self-appraisal questionnaires;
- formalisation of the results in the relevant document giving the methodology used and the results obtained.

The Chairperson, with the support of the relevant company departments, prepares the self-appraisal report of the Board, which describes the methodology used and the different stages that constitute the self-appraisal process; lists those involved in the self-appraisal; the results obtained, highlighting any strengths or weaknesses; the remedial actions suggested by the Directors; and describes the progress or state of implementation of remedial actions stemming from the previous self-appraisal. The self-appraisal document is presented to the Board of Directors for its approval.

The Board of Directors carried out a self-appraisal of the functioning, composition and size of the Board of Directors and of its committees for the 2017 financial year.

The self-appraisal, instigated by the Chairperson of the Board of Directors, was carried out by each Director anonymously completing a questionnaire; the results were presented during the Board Meeting of 12 March 2018.

The questions were designed to analyse (i) the size and composition of the Board of Directors with reference to the nature and professional experience of the Directors; (ii) its *modus operandi*, (iii) the composition and responsibilities of the internal committees of the Board; (iv) the knowledge of the legal framework of the sector and the participation of Directors at meetings and in the decision-making process.

Each Director completed this questionnaire and the results were aggregated and presented to the Board of Directors in an anonymous format.

The results of the questionnaire showed that the Board of Directors believes that the composition and *modus operandi* of the Board meet the organisational and administrative requirements of the Company. The self-appraisal also confirmed the diversity of the professional qualifications of the Directors and that their competences and experience contributed to the decision-making process. There was also a positive assessment of the working environment of the Board that implied an appropriate degree of agreement on the decisions taken. A positive opinion was expressed on the frequency of the meetings. There was also a positive evaluation of the internal committees concerning the role guaranteed by these committees within the Board.

Independent Directors

During the 2017 financial year, the Independent Directors contributed actively to the corporate decisions taken. It should be noted that, as detailed below, the Appointments and Remuneration Committee is primarily composed of Independent Directors and the Committee for Internal Control and Risk Management is composed entirely of Independent Directors.

Moreover, the Independent Directors discerned no circumstances necessitating a meeting to be held without the presence of the other Directors as, *inter alia*, the Directors always received well in advance all the information necessary to ensure their participation at the Board meetings was effective and informed and not merely a formality; this enabled them to formulate any appropriate comments on the advisability and correctness of decisions put forward for the approval of the Board.

Lead Independent Director

Under the provisions of the Self-regulatory Code, companies that are not part of the FTSE-Mib index must appoint a Lead Independent Director in the following cases: (i) if the Chairperson of the Board of Directors is also the Chief Executive Officer and (ii) if the position of Chairperson is held by the person who controls the issuer.

Therefore, there is no obligation for Fiera Milano S.p.A. to appoint a Lead Independent Director and, at its meeting on 2 May 2017, the Board of Directors decided not to appoint such a person.

6. Internal Committees of the Board of Directors

The Board of Directors, in compliance with the provisions of the Self-regulatory Code has set up internal committees to assist the Board in carrying out its role.

Specifically, the Board of Directors has set up the Control and Risk Management Committee and the Appointments and Remuneration Committee; their roles in offering advice and/or making recommendations are in line with the standard required by the Self-regulatory Code, with best practice and correct corporate governance.

Rules approved by the Board of Directors govern the work of these Committees.

The Committees report periodically on their activities to the Board of Directors.

Appointments and Remuneration Committee

An Appointments and Remuneration Committee was set up within the Board of Directors.

The Appointments and Remuneration Committee comprises at least three Non-executive Directors, the majority of which are Independent Directors, in compliance with the Company Articles of Association. At least one member of the Committee has adequate knowledge and experience of financial matters or remuneration policies. This is assessed at the time of his/her appointment.

The Committee assists the Board of Directors in preparatory work, advises, makes recommendations and specifically:

- a. presents the Report on Remuneration to the Board of Directors for its approval and also the remuneration strategy to that will be presented to the Shareholder's Meeting convened to approve the financial statements as required by law;
- b. prepares proposals for the remuneration of the Chairperson and the Executive Directors covering all forms of remuneration and salary payments;

- c. prepares proposals for the remuneration of Directors appointed to the internal Committees of the Board of Directors;
- d. examines any proposals from the Chief Executive Officer and suggests:
 - d.1 annual and long-term incentive schemes, also equity-based;
 - d.2 criteria for all types of remuneration of top management and those that could be part of the long-term incentive scheme;
 - d.3 identifies performance targets and the corporate results achieved in relation to the performance targets and their effect on the variable remuneration of Directors with specific responsibilities and on the implementation of the incentive scheme;
- e. monitors the implementation of the decisions taken by the Board of Directors, in particular, verifying the effective achievement of any performance targets;
- f. periodically evaluates the overall adequacy, coherence and implementation of the strategy adopted as described above in paragraph a) and prepares relevant proposals for the Board of Directors;
- g. puts forward to the Board of Directors the names of possible candidates to be a Director should one or more Directors be unable to carry out his/her duties in the course of the financial year (Article 2386, paragraph 1, Italian Civil Code) ensuring that the requirements for both a minimum number of Independent Directors and gender balance are met;
- h. advises the Board of Directors on the latter's size and membership making recommendations on the type of professional profile it deems appropriate be included in the Board;
- i. without prejudice to the *Rules governing the Board of Directors* of Fiera Milano (paragraphs 1.3. and 3.1), it offers its opinion to the Board of Directors on the total number of positions as director or statutory auditor that can be held in listed companies, financial companies or those of material size that is compatible with effectively carrying out the responsibilities of a Director of Fiera Milano, taking into account each Director's membership of one or more of the Committees within the Board of Directors;
- j. it gives its opinion regarding any eventual problems that could arise from general and prior authorisations by the Shareholders' Meeting for exceptions to competing activities under Article 2390 of the Italian Civil Code,;
- k. reports to the Board of Directors on its activities at least every six months and before the latest dates for the approval of the full-year and six month interim financial statements in a meeting indicated by the Chairperson of the Board of Directors;
- l. at the request of the Chief Executive Office, examines and assesses the criteria for management succession.

At its meeting on 29 April 2015, the Board of Directors appointed the Deputy Vice Chairperson, Mr Attilio Fontana, as a member and Chairperson of the Remuneration Committee with the other two members being the Non-executive Directors Ms Licia Ronzulli and Mr Romeo Robiglio.

Following its appointment by the Shareholders' Meeting of 21 April 2017, the Board of Directors proceeded to appoint the members of the internal committees.

On 2 May 2017, the Board of Directors, also to comply with the new legal requirements, replaced the previous Remuneration Committee with an Appointments and Remuneration Committee and appointed as its members the Directors Mr Alberto Baldan, Ms Elena Vasco and Mr Gianpietro Corbari with the latter as Chairperson of this Committee. Subsequently, on 23 October 2017, given the resignation of Mr Gianpietro Corbari as a member and Chairperson of this Committee, the Board of Directors had to appoint a new member to this Committee. From the candidates proposed by its Chairperson, it appointed Ms Marina Natale as the new member of the Committee to replace Mr Gianpietro Corbari and appointed Ms Elena Vasco as Chairperson.

Members of the Appointments and Remuneration Committee are remunerated for their work.

During the financial year ended 31 December 2017, the Committee held eight meetings that were minuted and carried out its responsibility to table proposals to the Board of Directors. The average duration of the meetings of this Committee was approximately one hour and ten minutes.

At the date of the present Report, two meetings had been held in the current financial year.

Detailed information on the composition, role and functioning of the Appointments and Remuneration Committee are given in the Report on Remuneration prepared in accordance with Article 123-*ter* of the Consolidated Finance Act.

During the financial year under review, the work of the Appointments and Remuneration Committee concerned:

- for appointments:
 - approval of the Regulations governing the Appointments and Remuneration Committee;
 - assessments for the appointment of the new Chief Financial Officer of Fiera Milano S.p.A.;
 - assessments ahead of the appointment of a new Chairperson for Nolostand S.p.A.;
- for remuneration:
 - within the time limits required by law, examining the Report on Remuneration and, in particular, the remuneration policy to be presented for approval to the Board of Directors and the Shareholders' Meeting convened to approve the financial statements for the year;
 - acknowledgement of the remuneration paid to the corporate bodies of Fiera Milano S.p.A. and the Italian subsidiaries of the Fiera Milano Group;
 - establishing the remuneration of the Chief Executive Officer, the Chairperson of the Board of Directors and the members of the Control and Risk Management Committee and the Supervisory Committee appointed during the financial year;
 - examining the payments for the MBO (Management by Objectives) scheme in the 2016 financial year;
 - examining proposals for short-term and long-term incentive schemes.

Remuneration of the Board of Directors

Reference should be made to the Report on Remuneration published in accordance with Article 123-*ter* of the Consolidated Finance Act for:

- the general policy on remuneration;
- remuneration of Executive and Non-executive Directors;
- remuneration of executives with strategic responsibilities;
- compensation payable to Directors on resignation, dismissal or termination of employment.

Control and Risk Management Committee

The Board of Directors set up a Control and Risk Management Committee composed of independent and non-executive Directors.

The Committee is composed of a minimum of three Non-executive Directors that, under the Company Articles of Association, must all be independent. At least one member of the Committee must have appropriate experience in accounting and finance and the Board of Directors must ascertain this at the time he/she is appointed.

The Board of Directors appoints one of the independent members of the Committee as Chairperson to coordinate the work of the Committee.

The Committee has an advisory role, makes proposals and carries out preliminary research to aid the Board of Directors in its decisions and assessments of the internal control and risk

management system, as well as the approval of the financial statements and the six month interim financial statements and the disclosure of non-financial information (hereinafter “NFI” – Non-financial Information).

The Committee meets regularly and as frequently as required to carry out its responsibilities. It meets to approve the annual financial statements and the six month interim financial statements and the NFD.

The responsibilities of the Control and Risk Management Committee are the following:

- to give a preliminary opinion to the Board of Directors regarding:
 - (i) the definition of the guidelines of the internal control and risk management system so that the main risks faced by the Company and its subsidiaries are correctly identified, quantified, managed and monitored while assessing the compatibility of these risks with management of the company in a way that is consistent with the stated strategic objectives;
 - (ii) the annual assessment of the adequacy and efficacy of the internal control and risk management system given the nature of the business and its risk profile;
 - (iii) the description, which forms part of the Report on Corporate Governance, of the main features of the internal control and risk management system and the assessment of its adequacy;
- to express a considered opinion on the interests of the Company and on the substantial correctness of conditions regarding significant related-party transactions, pursuant to the prevailing *Procedures for Related-Party Transactions* adopted by the Company in accordance with Consob Resolution no. 17221/2010 and the existing relative organisational procedures;
- to express a considered opinion on specific aspects regarding the identification of the main corporate risks;
- to assess, in collaboration with the Manager responsible for preparing the Company accounts and having requested the opinions of the Independent Auditors and the Board of Statutory Auditors, the correct application of accounting principles, as well as their consistent application across the Group in preparing the consolidated financial statements;
- to express a preliminary opinion regarding the appointment or removal of the Head of Internal Audit, ensuring that he/she has the necessary resources to carry out his/her role, as well as on whether his/her remuneration is consistent with Company policy;
- to express its opinion regarding the adoption and subsequent updating of the guidelines for the Manager responsible for preparing the Company accounts;
- to express a preliminary opinion to the Board of Directors on the annual approval of the work schedule prepared by the Head of Internal Audit and to examine the periodic assessment reports of the internal audit department assessing the internal control and risk management system, and any other important evaluations;
- to give a preliminary opinion to the Board of Directors on the results of the independent audit expressed in any eventual letter of comments and in the report on any fundamental matters under Article 19, paragraph 3 of Legislative Decree no. 39/10 that have emerged as part of the independent audit;
- to express an obligatory but non-binding opinion on any intra-group service contracts that could come under the rules governing the exercise of direction or coordination by the Parent Company;
- to monitor the independence, adequacy, efficacy and efficiency of the internal control procedures;
- to report at least every six months at the time of the approval of the annual financial statements and the six month interim financial statements to the Board of Directors on its work and on the adequacy of the internal control and risk management system;
- having done preliminary research, to support the assessments and decisions of the Board of Directors on matters concerning the risk management of prejudicial events that have come to the attention of the Board of Directors;

- to request that the internal control department carries out checks on specific areas of operations and, at the same time, notify the Chairperson of the Board of Statutory Auditors;
- oversee matters regarding the sustainability of company activities and the interaction with all stakeholders so that a true and fair assessment of the information can be included in the NFI under Legislative Decree 254/2016 and as further amended;
- to report to the Board of Directors at the time the NFI is approved on the work of the Committee and the adequacy of the internal control and risk management system as regards the sustainability of the Company's activities.

The Chairperson of the Board of Statutory Auditors (or a member of the Board of Statutory Auditors delegated by the Chairperson) and the Head of Internal Audit for Fiera Milano attend meetings of the Control and Risk Management Committee. Other Statutory Auditors may also attend.

If considered appropriate, the Committee may invite Directors and executives of Fiera Milano or of Group companies to attend its meetings so that they may give their opinion on specific matters; it may also invite other persons who may be able to assist in the business of the Committee.

The Control and Risk Management Committee has access to all the information and Company departments required to carry out its responsibilities and may also use external consultants.

At its meeting on 29 April 2015, the Board of Directors appointed the following as members of the Control and Risk Management Committee: Ms Joyce Victoria Bigio (Chairperson), Mr Renato Borghi and Ms Patrizia Rutigliano, all independent Non-executive Directors. At the time of these appointments, the Board of Directors expressed a positive opinion on the professional accounting and financial experience of the Director, Ms Bigio.

On 17 February 2017, the Director Mr Renato Borghi resigned from the Control and Risk Management Committee.

Following its appointment by the Shareholders' Meeting of 21 April 2017, the Board of Directors appointed the members of its internal committees.

On 2 May 2017, the Board of Directors appointed the Control and Risk Management Committee with the Director Prof. Lorenzo Caprio as its Chairperson and Ms Stefania Chiaruttini, Ms Francesca Golfetto and Mr Angelo Meregalli as the other members. At the time of these appointments, the Board of Directors, without the presence of the interested party, gave a positive assessment of the accounting and finance experience of the designated Chair of the Committee, Prof. Lorenzo Caprio, based on his professional *curriculum vitae* shown to the Directors.

Subsequently, on 23 October 2017, the Board of Directors, having accepted the resignation of Prof. Caprio as Chairperson and member of the Control and Risk Management Committee of the Company and having considered the qualitative and quantitative competence of the remaining members of the Control and Risk Management Committee, and on the proposal of the Chairperson of the Board of Directors, approved that the Control and Risk Management Committee should be made up of three members and, having assessed her independence and professional qualifications, appointed Ms Stefania Chiaruttini as the new Chair of the Control and Risk Management Committee of the Company to replace Prof. Caprio.

Members of the Control and Risk Management Committee are remunerated for their work.

During the financial year to 31 December 2017, the Control and Risk Management Committee held fourteen meetings, minuted in accordance with the regulations. The average duration of the meetings of this Committee was approximately one hour and thirty minutes. At the date of the approval of the present Report, four meetings had been held in the current financial year.

During the financial year under review, the Control and Risk Management Committee expressed, within its own competence, its opinion on the following:

- the appointment of the new Director of Internal Audit of the Company;
- the work schedule prepared by the Head of Internal Audit that included periodic reports on the audit activity;
- work schedule proposed by the independent audit firm, the relevant audit reports and the report on key matters;
- the system for delegating responsibilities and authorisations;
- evidence of direction and coordination in La Fabbrica del Libro S.p.A.;
- on information regarding the administration orders issued by the Milan Court to the subsidiary Nolostand and the stand-fitting business division of the Parent Company;
- preliminary and preparatory analyses of the Board decisions regarding extraordinary financial transactions made in the financial period under review;
- the monitoring of the functioning of Group shared services;
- the monitoring of the corporate project to review the Group information systems;
- prepared and expressed its opinion on revisions to the internal regulations, manuals and policies of the Company including those newly adopted;
- the process for preparing the quarterly and six-month reports on operations, as well as that for the annual Financial Statements, and evaluated the adequacy of the accounting standards used with particular attention to the methodology used for any impairment tests, also through meetings on this matter with the Manager responsible for preparing the Company accounts;
- on the acknowledgement of updates to the internal control and risk management system and studied any preliminary and related documents;
- the periodic reports on operations.

The Control and Risk Management Committee also exercised its prerogative to provide the Board of Directors with a preliminary analysis identifying, quantifying, managing and monitoring the main risks to the Company and, as part of its annual assessment, the adequacy of the internal control and risk management system given the characteristics of the business and its risk profile, as well as its effectiveness.

On the subject of related-party transactions, the Committee examined the suitability and substantive correctness of the main economic, capital and financial transactions with related parties.

7. Internal Control and Risk Management System

The internal control and risk management system of the Company and the Group is made up of rules, procedures and organisational structures that are designed to identify, quantify, manage and monitor the main risks. It contributes to the conduct of the Company and the Group as it is consistent with the corporate purposes established by the Board of Directors of the Parent Company and favours the adoption of informed decisions. It also contributes to guaranteeing: (i) the protection of shareholder equity, (ii) efficient and effective corporate procedures, (iii) reliability of financial reporting, and (iv) compliance with applicable laws and regulations, the Company Articles of Association, and internal procedures.

Fiera Milano Group has developed an integrated risk management model based on internationally recognised Enterprise Risk Management (ERM) standards.

The main aim is to have a systematic and pro-active approach to identifying the principal risks to which the Group is exposed and to identify as early as possible any potential negative effects, taking suitable action to mitigate these effects while continually monitoring the relevant exposure.

In order to achieve this, Fiera Milano Group has compiled a catalogue of Group risks linked to the strategies being implemented, together with a risk mapping and risk scoring methodology, and has made the necessary organisational changes in order to identify the roles and responsibilities of those involved.

Since the previous financial year, the Group has updated the system as follows:

- introduced the role of Risk Manager, who is responsible for guaranteeing the design and implementation of a global corporate risk management process;
- introduced, as part of a specific policy, a process for systematic identification, assessment, management and reporting of corporate risks in the Fiera Milano Group - also in order to meet the corporate governance requirements on risk management in listed companies.

Specifically, the Group integrated risk management process entails an annual (i) update of the risk catalogue according to the strategies implemented and the management and business model used; (ii) assessment of the risks by the management of Fiera Milano and the companies in which it is a shareholder; (iii) consolidation of information and prioritisation of the risks and the consequent course of action; (iv) tolerance analysis of any exposure identified and formulation of the appropriate management strategies/actions and the identification of those responsible for implementing such actions; (v) monitoring over time of any exposure that has been identified.

The results of the aforementioned procedure are presented to the Control and Risk Management Committee and the Board of Statutory Auditors.

Risk management and internal control system for financial reporting

The aforementioned integrated risk management model cannot be considered separately from the internal control system used for the financial information process as both are elements of the overall internal control and risk management system of Fiera Milano Group. It should be noted that the process for preparing the annual and interim financial statements and, in particular, the procedures to describe the principal risks and uncertainties to which Fiera Milano and the Group are exposed, are strictly linked and coordinated to the information flows deriving from the Enterprise Risk Management (ERM) processes of the Company and of the Group, which aim to identify, evaluate and mitigate any corporate risks.

In recent financial years, Fiera Milano has modified its internal control system for financial reporting in keeping with the provisions of Law 262/05 so as to document, where necessary, the administrative and accounting control model adopted and to schedule and implement periodic checks on the operational efficacy of the controls that are behind the certification processes of the Manager responsible for preparing the Company accounts.

The aforementioned administrative and accounting control model combines the internal procedures and methods used by the Company to attain the corporate targets of integrity, accuracy, reliability and timeliness of financial information. The approach of Fiera Milano in formulating, implementing and continually updating the aforementioned administrative and accounting control model follows a development process in line with generally accepted best practice, with the guidelines for the duties of the Manager responsible for preparing the Company accounts under Article 154-*bis* of the Consolidated Finance Act issued by Confindustria, and with the control elements identified in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

This reference model, based on the components of the internal control system (Control environment, Risk assessment, Control activities, Information & Communications, and Monitoring) necessary to attain the aforementioned financial reporting objectives favours, *inter alia*, the identification of coordination opportunities and the development of synergies among, for example, Enterprise Risk Management activities, activities undertaken to comply with Decree Law 231/2001 and the activities of the Head of Internal Audit.

The internal control system phases relating to the financial reporting system of Fiera Milano can be divided into the following macro-categories:

- identifying procedures, risks and controls;
- defining and updating administrative and accounting procedures;
- monitoring administrative and accounting procedures.

As part of the responsibilities and powers given him/her by the Board of Directors, the Manager responsible for preparing the Company accounts must effectively implement any actions falling into the above categories.

The main activities under the model used, and included in the macro-categories listed above, are summarised below.

Identifying procedures, risks and controls

This category includes all activities concerned with identifying or updating the extent of analysis and monitoring carried out, the identification and assessment of risks, the planning of administrative and accounting procedures and the formulation and assessment of checks aimed at mitigating those risks.

At least once a year, the Manager responsible for preparing the Company accounts decides the areas of the Company and Group processes that will be subject to risk analysis and to monitoring of the controls existing in the administrative and accounting control model. This is done using both quantitative and qualitative parameters to ensure that the most significant areas and/or those that pose the greatest risk of failing to meet the objectives of the financial reporting controls are included in the aforementioned areas.

Defining the areas to be analysed and monitored necessitates identification of the relevant accounts, disclosures and associated procedures so that the subsequent identification and assessment of controls, both at entity level and at procedure and transaction level, can effectively mitigate the risks inherent in the process of preparing financial information.

With regard to identifying and assessing risk in financial reporting, the approach adopted considers both the risk of unintentional errors and those that may be caused by fraudulent activity, providing for the formulation and monitoring of checks and balances that address these types of risk, as well as coordinating the controls implemented with others in the overall internal control system.

Without prejudice to the main elements of the administrative and accounting control model already implemented in previous financial periods, the continuous activity of updating the monitoring model carried out by the Manager responsible for preparing the Company accounts also includes, where they affect the administrative accounting procedures, any changes the Company may introduce to the entity level controls of the various parts of the overall Internal Control and Risk Management System, for example, those pertaining to compliance, organisation and risk prevention.

To support the assessment of inherent risk levels, the reference criteria used are based on the following main potential risk indicators, generally recognised by reference best practice: changes in information systems, processes and procedures and other complex elements, for example, the complexity of information processing required by a certain procedure, a high level of transactions, or, for example, in processes that employ a considerable amount of estimates and valuations, the adequacy of the documentation and the reliability of the assumptions made.

When significant risks in financial reporting are identified, the administrative and accounting control model provides for the appropriate identification of controls to mitigate these risks. Specifically, the approach adopted takes adequate account of both manual controls and the data system controls in the administrative and accounting procedures, the so-called automatic system controls application, the general IT control that govern system access, control of developments and amendments to the application systems, and the adequacy of the information structures.

The administrative and accounting model, in line with reference best practice, ensures that the surveillance procedures for the processes, risks and controls is updated for significant changes in the Group administrative and accounting procedures whenever necessary.

Defining and updating administrative and accounting procedures

Based on the results of monitoring the processes, risks and controls, the Manager responsible for preparing the Company accounts defines or updates the administrative and accounting procedures and guarantees their adequacy as regards the internal control model and monitors the various phases of the identification or updating of the procedures.

In particular, the updating of the administrative and accounting procedures is done in conjunction with an assessment of the form and design of the controls and the continuous monitoring of their implementation.

Monitoring the administrative and accounting procedures

The Manager responsible for preparing the Company accounts constantly monitors the administrative and accounting procedures, with particular reference to those linked to the preparation of the financial statements, the consolidated financial statements and the condensed six-month interim financial statements, as well as any action or communication of a financial nature that requires statements, attestations and declarations under paragraphs 2 and 5 of Article 154-bis of the Consolidated Finance Act, so as to ensure the adequacy and effective implementation of these procedures.

To achieve this, special verification actions to ascertain the correct implementation of the controls incorporated in the administrative and accounting procedures exist. The checks, analyses, and verification of the administrative and accounting procedures are based on defining a test strategy that determines the *modus operandi*, the controls and ways of monitoring the procedural systems implemented

The timetable of the monitoring activity is prepared in such a way as to give priority to verifications of identified “key” controls, and to balance the objectives of efficiency with the requirement of achieving adequate coverage of the verification activities, introducing rotational tests for the significant processes and sub-processes of subsequent important end of financial period dates.

During the 2017 financial year, as part of the continuous development of the administrative and accounting control model, given the organisational development of the Company, without prejudice to the role and responsibilities of the Manager responsible for preparing the Company accounts regarding declarations under Article 154-bis of the Consolidated Finance Act, the responsibility of carrying out the key control tests of the administrative and accounting processes was given to the Internal Control department of the Company.

On the basis of the information received from the Manager responsible for preparing the Company accounts, the Head of Internal Audit, with the support of his/her department, identifies the timing and operating means for carrying out the tests on the key controls identified by the Manager responsible for preparing the Company accounts.

Following the tests, the Head of Internal Audit advises the Manager responsible for preparing the Company accounts of the outcome of the tests carried out on each key control and indicates any shortfall and/or areas of improvement arising therefrom.

With regard to the organisational aspects and to the roles involved in the various phases of formulating, implementing, monitoring and updating over time the administrative and accounting control model, it should be noted that specific information flows have been defined between the Head of Internal Audit and the corporate, administrative and control committees and the corporate executives and/or areas that, outside the Department of Administration, Finance and Tax, are involved in compiling, preparing and circulating the annual financial statements, the consolidated financial statements, the summary half-year financial statements, the interim management reports and, more in general, any information subject to attestation/ declaration by the Manager responsible for preparing the Company accounts. The accounting and administrative model also covers specific information flows among Group companies and internal attestations/ declarations.

In preparing the annual and interim financial statements and describing the principal risks and uncertainties to which Fiera Milano and the Group are exposed, the Manager responsible for preparing the Company accounts works with the Enterprise Risk Management of the Company and of the Group in order to identify and assess all corporate risks.

Governance of subsidiaries with registered offices in countries outside the EU

In accordance with the provisions of Article 36, as referred to in Article 39, paragraph 3 of the Stock Market Regulations, the Company and its subsidiaries have administrative and accounting systems which make public the accounting procedures used to prepare the consolidated financial statements of the companies to which this law is applicable and which permit the regular communication of the data required to prepare the Consolidated Financial Statements to the Parent Company management and its independent auditors.

Therefore, the conditions exist under the aforementioned Article 36, paragraphs a), b) and c) of the Stock Market Regulations issued by Consob.

Director responsible for the internal control and risk management system

The Board of Directors is responsible for internal control and risk management and, with the help of the Control and Risk Management Committee, for establishing its guidelines and periodically verifying that it is fit for purpose and is functioning effectively, ensuring that the principal corporate risks are identified and managed in an appropriate manner.

On 25 July 2017 – effective from 1 September 2017 – the Board of Directors delegated the responsibilities under Article 7 of the Self-regulatory Code governing internal control and the risk management system to the Chief Executive Officer Mr Fabrizio Curci.

Section 6 provides information on the changes to the structure of roles and responsibilities at the start of the 2017 financial year. Specifically, as regards the role of Director responsible for the internal and risk management system, it should be noted that prior to the appointment of the current administrative body, this position was held by the Chairperson Mr Rettani. At the Board meeting of 2 May 2017, this role passed to Ms Marina Natale, who had taken over temporary responsibility for the ordinary management of the Company until a new Chief Executive Officer could be appointed.

Head of Internal Audit (the “Internal Audit Department”)

The Head of the Internal Audit Department is responsible for verifying that the internal control and risk management system is fit for purpose and working; he/she is not hierarchically answerable to anyone in charge of an operating area but reports directly to the Board of Directors in the person of its Chairperson so that independence and autonomy are guaranteed. There is also a system for functional reporting to the Control and Risk Management Committee. The Head of the Internal Audit has direct access to all the information necessary and adequate means to carry out his/her role.

Under the Company Articles of Association and the Self-regulatory Code, it is the responsibility of the Board of Directors, on the suggestion of the Chief Executive Officer prepared in conjunction with the Chairperson, and having received the opinion of the Board of Statutory Auditors and the Independent Directors, to appoint or dismiss the Head of the Internal Audit Department, to ensure that the latter has all the resources required to carry out his/her duties and is remunerated in line with Company policies. The Board of Directors is also responsible for annually approving the work schedule prepared by the Head of the Internal Audit Department, having considered the opinion of the Control and Risk Management Committee, consulted the Board of Statutory Auditors, the Chairperson and the Chief Executive Officer.

The Head of the Internal Audit Department reports regularly to the Chairperson and periodically to the corporate control bodies, the Control and Risk Management Committee and the Board of Statutory Auditors.

Organisational model pursuant to Legislative Decree no. 231/01

The Company has adopted an Organisation, Management and Control Model in accordance with Legislative Decree no. 231/01.

As a result of its desire for transparency and correctness in the conduct of its corporate affairs, the Company adopted an Organisation, Management and Control Model under Legislative Decree 231/01 (hereinafter the “Model 231”), which was most recently updated on 11 September 2017 to bring it in line with:

- changes in legal requirements since approval of the previous Model 231 (February 2016);
- changes in the organisational structure of the Company and the related system of assigned responsibilities and powers that had taken place in the intervening period;
- significant changes to procedures adopted by the Company for its operating activities.

The adoption and maintenance of the Model 231 aims to create a business strategy based on the principles of correctness and legality; for this reason the Company has organisational and management control protocols and an internal control system aimed at preventing any risk that the crimes referred to in Legislative Decree 231/01 are committed.

The Company Model is composed of:

- a general section, which describes the contents of Legislative Decree no. 231/2001; the governance system and the organisational structure of the Company; the methodology used to identify and map the processes/ vulnerable activities, gap analysis and preparation of the Model 231; the characteristics and *modus operandi* of the Supervisory Committee; training and information activity; and the penalty system;
- fifteen special sections that complete the information in the general section with the aim of: illustrating the rules that must be adhered to ensure the correct application of the Model 231 and providing the Supervisory Committee and other control departments with the necessary tools to carry out monitoring, control and verification activities. Each section is dedicated to a category of offence under Legislative Decree no. 231/2001: (i) crimes against the public administration, (ii) corporate crimes, (iii) market abuse crimes, (iv) transnational offences, (v) crimes against persons in violation of workplace health and safety, (vi) crimes concerning receiving, laundering and the re-use and self-laundering of money and goods of unlawful origin,

(vii) IT crimes, (viii) crimes of organised crime, (ix) crimes against industry and trade and crimes involving counterfeiting distinctive marks, (x) crimes of copyright infringement (xi) inducements not to make statements or to make false statements to the court (xii) environmental crimes (xiii) employment of citizens from outside the EU who do not have a legal right to be in the country (xiv) private bribery; (xv) illicit brokering and labour exploitation (hereinafter the **“Code of Ethics”** or the **“Code”**);

- the *Code of Ethics* of the Fiera Milano Group, included as an attachment that is an integral part of the Model, completes the Model.

The *Code of Ethics* clearly defines the values recognised, accepted and shared by the Company and the responsibilities it assumes both internally and externally. Observance of the *Code* by the employees of Fiera Milano is of fundamental importance to the functioning, reliability and reputation of the Company - factors that are a decisive asset in the success of the Group. The employees of Fiera Milano, in addition to meeting the normal requirements of loyalty, correct behaviour, and acting in good faith under the terms of the employment contract, must avoid carrying out any activity that is in competition with Fiera Milano, must respect the company rules and comply with the requirements of the *Code of Ethics*. All those who have business relations with the Company are made aware of the *Code*.

The general section of the Model 231 of the Company is available on the Company website www.fieramilano.it, in the section *Investor Relations / Corporate Governance / Model 231* and the *Code of Ethics* is in the section *Investor Relations / Corporate Governance / Code of Ethics*.

Following the update to the Model 231 and, in order to continue the training of recent years, information and training initiatives for all corporate stakeholders were implemented.

To guarantee the functioning, efficacy and adherence to the Model 231, the Company has set up collective body known as the Supervisory Committee. The current Supervisory Committee, appointed on 29 May 2017, is made up of its Chairperson Mr Piero Antonio Capitini and the other members Mr Luigi Bricocoli and Mr Jean-Paule Castagno. This Body is charged with the control and update of the Model 231 to ensure that it is both efficient and effective and with coordinating its own activities with those of other bodies and departments involved in internal control.

The members of the Supervisory Committee are remunerated for their work.

The Model 231, under the provisions of Article 6 paragraph 2 of Legislative Decree no. 231/01, provides for specific information flows to the Supervisory Committee so that the supervision and monitoring of the functioning of the Model 231 is more effective.

With reference to the Italian unlisted companies of the Group that have adopted their own organisational model, the Supervisory Committee has conducted research on each of these in order to identify adequate technical/operational solutions that, while respecting the mandate and powers reserved for the same by the prevailing regulations, are appropriate to the dimensions and organisational context of each corporate entity, also taking account of the relevant guidelines issued by the Parent Company.

As regards subsidiaries operating under foreign jurisdictions, which are not required to adhere to the provisions of Legislative Decree no. 231/01 and which do not have their own Organisational, Management and Control Models pursuant to the aforementioned Decree 231, these have adopted the *Code of Ethics*, the guidelines for anti-corruption and other compliance programmes in order to have a systematic reference framework of crime prevention regulations and standards.

Independent audit firm

Accounting audit and control has been entrusted to EY SpA (previously known as Reconta Ernst & Young S.p.A.), a company registered in the specific Consob Register, in compliance with prevailing law. The mandate was conferred by the Shareholders' Meeting of 29 April 2014 and relates to the financial years ending 31 December 2014-2022.

Manager responsible for preparing the company accounts

The current Board of Directors of the Company, appointed on 29 April 2017, having previously sought the opinion of the Board of Statutory Auditors, on 2 May 2017, appointed Mr Sebastiano Carbone as Manager responsible for preparing the company accounts. The latter had carried out this role since 4 November 2016 as approved by the previous Board of Directors that at the same time conferred on him, through the appropriate delegation of responsibilities, adequate means and powers to carry out the duties attributed to this position under enacted law. The Board of Directors also supervises the effective compliance with administrative and accounting procedures. The Company's Articles of Association require the Manager to be an expert in matters of administration, finance and control and to possess the same characteristics of personal probity required of Statutory Auditors under current legislation. The Manager's appointment is for three financial years and must not exceed the mandate of the Board of Directors that made the appointment.

Coordination among persons involved in the internal control and risk management system

The coordination of persons involved in the internal control and risk management system is through a series of mechanisms and means of interaction: *i)* scheduling and holding joint meetings of the various corporate bodies and departments responsible for internal control and risk management; *ii)* attendance at meetings of the Control and Risk Management Committee by the Chairperson of the Board of Statutory Auditors and other members of the Board of Statutory Auditors and by the Head of Internal Audit; *iii)* attendance by the Head of Internal Audit at the meetings of the Supervisory Committee under Legislative Decree 231/01.

8. Board of Statutory Auditors

Appointment of Statutory Auditors

The Company's Articles of Association currently require that the appointment of the Statutory Auditors is made on the basis of lists presented by the shareholders; the Articles state that the position of Chairperson of the Board of Statutory Auditors is granted to the first candidate on the second list by number of votes and who is in no way related, even indirectly, to those shareholders who presented, or combined to present, or voted for the first-placed list by number of votes. Only those shareholders who, individually or together, represent at least 2.5% of the share capital and are entitled to vote in the ordinary shareholders' meeting have the right to present a list, as required by the Company's Articles of Association and by Consob Resolution no. 20273 of 24 January 2018. A shareholder who intends to present a list of candidates and who does not own a controlling shareholding or the relative majority of the share capital of the Company must deposit a declaration stating the absence of any relationship with the controlling shareholder, as required by the regulatory provisions. The lists must be deposited at the Company's registered office at least twenty-five days before the date fixed for the first convocation of the Shareholders' Meeting and must be made public by the Company at least twenty-one days before the date fixed for the first convocation of the Shareholders' Meeting.

Ownership of the minimum shareholding required to present lists is based on the shares that are registered to the shareholder on the day on which the lists are deposited with the Company. To prove ownership of the minimum number of shares required to present lists, the shareholders must provide within the time for the publication of the lists by the Company the relative authentication given in accordance with law by authorised intermediaries.

Each list, deposited at least twenty-five days before the date fixed for the first convocation of the Shareholders' Meeting, must be accompanied by a declaration in which each candidate accepts the candidacy and declares that no reasons of ineligibility or incompatibility exist also with reference to the accumulation of positions referred to below, that the requirements of prevailing

law relating to the assumption of the position are fulfilled, and must include a *curriculum vitae* of the candidate that gives the administration and control positions held

The lists presented by shareholders must have two sections: one part for the appointment of Standing Statutory Auditors and the other for Substitute Statutory Auditors. The lists should not contain more candidates than there are positions to be filled, and should be numbered sequentially. The lists must include candidates of both genders. Each candidate may only appear on one list under penalty of ineligibility.

The Articles of Association also provide that, without prejudice to situations of incompatibility under prevailing law, any person who is already an acting Statutory Auditor in four companies listed on regulated markets may not take up a position as Statutory Auditor and, if elected, their mandate is nullified, except where different limits are established by laws which may periodically be introduced.

To meet the requirements of Article 148, paragraph 1-*bis* of the Consolidated Finance Act and Article 144-*undecies* of the Listing Rules regarding the appointment and replacement of members of the Board of Statutory Auditors, the Company Articles of Association contain the same criteria and requirements as those for the appointment and replacement of members of the Board of Directors described above.

The complete Company Articles of Association is available on the Company website www.fieramilano.it in the section *Investor Relations/Corporate Governance/ Articles of Association*.

Diversity

Under Article 20 of the Company Articles of Association, the Board of Statutory Auditors must be composed of three Standing Statutory Auditors, of which at least one must belong to the least represented gender, and two Substitute Statutory Auditors, one of each gender.

The replacement procedure respects the requirement for gender balance.

The members of the Board of Statutory Auditors must also possess the probity, professionalism and independence required by law and regulations; they must also be independent under the criteria required of directors in the Self-regulatory Code for Listed Companies of Borsa Italiana S.p.A..

An indication of further requirements to be appointed as a Statutory Auditor was considered unnecessary as enacted rules and regulations ensure the identification of persons that have the necessary competences and experience to carry out the role.

Composition of the Board of Statutory Auditors

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of 29 April 2015, based on a single list presented by the controlling shareholder, Ente Autonomo Fiera Internazionale di Milano, and will remain in position until approval of the Financial Statements to 31 December 2017.

The following is a short *curriculum vitae* indicating the personal and professional experience of each Statutory Auditor on the Board of Statutory Auditors:

Federica Palmira Nolli, Chairperson of the Board of Statutory Auditors of Fiera Milano since 29 April 2015

Born in Cremona on 3 February 1959, Ms Nolli graduated in Business Economics from the University of Pavia. She has been a Chartered Accountant since 1981 and is on the Consob list of those able to carry out audits under DPR 136, an independent audit.

She is a partner in F.P. & Partners, a consulting company for corporate management and organisation and is Head of its Administration and Control Division. She is also Chair of the Board of Statutory Auditors of Fiera Milano Congressi S.p.A., Chair of the Board of Statutory Auditors of Fiera Milano Media S.p.A., Chair of the Board of Statutory Auditors of Ipack Ima S.p.A. and Sole Auditor of Mico DMC Srl

Relevant positions under Article 148-bis of the Consolidated Finance Act and the relevant implementation provisions under Consob Listing Rules: Chair of the Board of Statutory Auditors of Fiera Milano SpA.

Antonio Guastoni, Standing Statutory Auditor of Fiera Milano since 29 April 2015

Born in Milan on 11 January 1951, Mr Guastoni has a degree in Economics and Business from the Università Commerciale Luigi Bocconi. He is qualified as a Chartered Accountant and is on the National Register of Auditors. He holds several administrative and supervisory positions: he is a Standing Statutory Auditor of Rina S.p.A., Chair of the Board of Statutory Auditors of Azimut Libera Impresa Sgr S.p.A., Chair of the Board of Statutory Auditors of Parcam S.r.l. and an Independent Board Director of CO.MO.I. Sim S.p.A.

Carmine Pallino, Standing Statutory Auditor of Fiera Milano since 29 April 2015

Born in Milan on 20 March 1967, he holds a degree in Economics and Business from the Università Commerciale Luigi Bocconi of Milan and is on the Register of Chartered Accountants of Milan and Rome. He is currently an Official Receiver of Asam S.p.A. on behalf of the Lombardy Region; the controlling shareholder of Milano Serravalle and of the Azienda Pedemontana Lombarda. He is an accountant for the Associazione della Croce Rossa Nazionale, Chairperson of the Commissione Associazioni di Promozione Sociale e Organizzazioni di Volontariato, and was previously the auditor of the Agenzia per i beni Confiscati e Sequestrati alla Criminalità Organizzata on behalf of the Ministry of the Interior.

Francesca Maria D'Alessandro, Substitute Statutory Auditor of Fiera Milano since 29 April 2015.

Born in Naples on 19 October 1970, she has a degree in Business and Economics from the Università Cattolica del Sacro Cuore of Milan, Ms d'Alessandro is a qualified Chartered Accountant and enrolled on the Register of Auditors. She is a member of the Crises, Restructuring and Company Recovery Commission and of the Business Insolvency Procedure Commission of the Milan Association of Accountants and Accounting Experts.

She has considerable consultancy experience in corporate restructuring and business crisis management. She has been a Statutory Auditor of several important national companies and entities.

Alessandro Carlo Galli, Substitute Statutory Auditor of Fiera Milano since 29 April 2015

Born in Busto Arsizio (Varese) on 11 May 1973, Mr Galli has a degree in Economics and Business from the Università Commerciale Luigi Bocconi and is qualified as a Chartered Accountant and enrolled on the Register of Auditors. He is a member and Chairperson of AdCerta S.r.l. and a partner in AGR & Partners. He holds several administrative and supervisory positions.

During the 2017 financial year, the Board of Statutory Auditors met fourteen times. The average duration of the meetings of the current Board of Statutory Auditors was approximately two hours and forty minutes. At the date of approval of this Report, one meeting had been held in the current financial year.

Role and responsibilities of the Board of Statutory Auditors

The Board of Statutory Auditors, in compliance with Article 149 of the Consolidated Finance Act and the powers invested in it by Article 2403-bis of the Italian Civil Code, monitors the Company's activities to: ensure compliance with the principles of correct administration; ensure the adequacy of the company's organisational structure regarding positions and responsibilities, the internal control system and the administrative/accounting system, as well as the reliability of the latter in accurately representing management information; ensure there exist the means of concrete implementation of the rules of corporate governance provided by the codes of conduct prepared by the companies responsible for the organisation and management of regulated

markets and to ensure the adequacy of the regulations prepared by the Company and applicable to its subsidiaries, in accordance with Article 114 paragraph 2 of Legislative Decree 58/98. In compliance with Article 19 of Legislative Decree 39/2010, the Board of Statutory Auditors also oversees the legal auditing of the annual financial statements and the consolidated financial statements and the effectiveness of the internal control and risk management systems, as well as the process for financial reporting. The Board of Statutory Auditors also oversees compliance with the provisions for the statement of non-financial information under Legislative Decree 254/2016 and reviews this in its annual report to the Shareholders' Meeting.

Under Article 20.1 of the Company Articles of Association, in addition to its responsibilities under Article 2403, paragraph 1 of the Italian Civil Code and the powers it has under Article 2403-*bis* of the Italian Civil Code, the Board of Statutory Auditors must also monitor:

- (a) the capacity of the whole internal control system to ascertain the efficacy of all the structures and departments making up the control system and that they coordinate adequately while instigating corrective measures for any shortfall or irregularity that comes to light;
- (b) the corporate information process;
- (c) the independent audit of the annual financial statements;
- (d) the independence of the independent auditor or independent audit firm, in particular as regards non-audit services.

The Board of Statutory Auditors also monitors the independence of the independent audit firm, ensuring compliance with existing regulations, and the nature and scale of non-audit services provided to the Company and its subsidiaries by the independent audit firm and its network of entities. To carry out its responsibilities the Board of Statutory Auditors also works in conjunction with the internal audit department and with the Control and Risk Management Committee on matters of common interest through meetings and exchanges of information.

9. Procedures adopted by the Company

Internal Dealing Code

The Company has adopted an *Internal Dealing Code*, prepared in accordance with EU Regulation of 16 April 2014 no. 596 (Market Abuse Regulation – “MAR”), Commission Delegated Regulation (EU) 2016/522 of 17 December 2015, Commission Implementing Regulation (EU) 2016/523 of 10 March 2016 and of Consob Resolution no. 0061330 of 1 July 2016 (all together “Internal Dealing Regulations”).

Under the *Internal Dealing Code*, a number of relevant persons, and persons close to them, who have regular access to inside information and the power to make management decisions that could affect the performance and prospects of the listed issuer, are obliged to inform the market of any transaction involving listed financial instruments issued by the company. The relevant persons that come under the *Internal Dealing Code* are those with administrative, direction and control responsibilities within the Company Fiera Milano.

The relevant persons identified above must communicate to the Company and to Consob any transactions they have made or that have been made by persons closely connected to them within three trading days of the date of the transaction.

Consistent with the requirements of the MAR, the current *Internal Dealing Code* provides for a black-out period of thirty days preceding the public announcement of interim results or year-end financial statements during which the relevant persons are prohibited from trading in financial instruments issued by the Company.

The *Internal Dealing Code* was initially approved by the Board of Directors on 8 November 2002 and enacted from 12 December 2002; it was updated on 29 July 2016 to meet the requirements of the new EU regulations. The text of this *Code* was temporary as it awaited the decision of the Italian authorities regarding laws and/or rules and final decisions on the means of implementation. Consob – in its Deliberation issued in 2017 changed the Listing Rules extending the category of relevant persons and amending some aspects governing transactions by persons exercising powers of administration, control and direction, as well as by relevant persons and those closely connected to them.

As a result, the Board of Directors at its meeting on 15 December 2017 approved an updated text for the *Internal Dealing Code* so that it met the new legal and regulatory requirements.

Communications made in compliance with the *Internal Dealing Code* (filing models) and the *Internal Dealing Code* itself are available on the Company website www.fieramilano.it in the section *Investor Relations/ Corporate Governance/ Internal Dealing*.

Procedure for the management of insider information

The Company has adopted a *Procedure for internal management and public disclosure of inside information*, which incorporates the provisions of regulations on market abuse and also governs the setting up of a register of persons having access to inside information.

On 29 July 2016, the Company adopted the updated version of the aforementioned Procedure that incorporated the requirements of Regulation (EU) no. 596/2014 of 16 April 2014 governing market abuse (“MAR”), the Commission Implementing Regulation (EU) 2016/347 of 10 March 2016, the Commission Implementing Regulation (EU) 2016/959 of 17 May 2016, the Commission Delegated Regulation (EU) 2016/960 of 17 May 2016, and of the Commission Implementing Regulation (EU) 2016/1055 of 29 June 2016.

The *Procedure* contains specific sections covering the definition of inside information, the related procedures for managing inside information, ways of managing so-called market rumours, and also governs instances of delays in communication to the market, the approval process for press releases, the setting up of a register of persons having access to inside information, persons authorised to maintain external relations and persons obliged to maintain confidentiality. In incorporating the requirements of the new EU regulations, the term Inside Information now includes the intermediary phase of a prolonged process. The measures governing delayed communication of inside information to the market and those regarding maintenance of a Register of those with inside information were also updated to comply with the relevant EU laws.

With adoption of the updated Procedure, the pre-existing *Procedure for the maintenance and updating of the register of persons having access to insider information* (the “Insider Register”) that identifies the responsibilities and ways of maintaining and updating the Insider Register was incorporated into the *Procedure*. It identifies the individual responsible for managing the register, an inside information committee and the individuals registered within it; it also governs the procedures for initial inclusion and subsequent updating of the register, as well as aspects regarding confidentiality obligations.

Procedures for Related-Party Transactions

The Company has a *Procedure for Related-Party Transactions* (hereinafter the *Procedure*). The Procedure was adopted on 5 November 2010 and implemented from 1 January 2011. It was prepared in compliance with the provisions of the Rule governing related-party transactions approved by Consob Resolution no. 17221 of 12 March 2010, subsequently modified by Consob Resolution no. 17389 of 23 June 2010 (hereinafter the “Rule”), and with the guidelines for the application of the Rule governing related-party transactions issued by Consob with Communication no. DEM/10078683 of 24 September 2010. The Board of Directors amended the Procedure during the 2015 financial year.

The current *Procedure* was revised and approved by the Board of Directors at its meeting held on 19 February 2018 also in order to align the provisions of the *Procedure* with the new corporate organisational structure.

The *Procedure* provides rules and measures to be adopted to ensure transparency and the substantial and procedural correctness of related-party transactions carried out directly by Fiera Milano or through its subsidiaries. The Control and Risk Management Committee has been identified as the body designated to express a considered opinion on the interests of the Company and the substantial correctness of the relevant conditions for the completion of related-party transactions.

The *Procedure* takes advantage of the dispensation given in the Rule that, without prejudice to the requirements regarding the dissemination of information to the public, allows smaller listed companies – or for those with balance sheet assets or revenues that do not exceed Euro 500 million as shown in the most recently approved Financial Statements - the possibility of applying to Transactions of Greater Importance the guidance and approval procedures for Operations of Lesser Importance.

The Board of Directors of the Company will periodically evaluate, and anyway at intervals of not more than three years, whether to update the *Procedure* taking into account, *inter alia*, any eventual changes to its assets, as well as the efficacy of the application of the rules and guidance in use.

The Procedure is available on the Company website, www.fieramilano.it, in the section *Investor Relations/Corporate Governance/Related-parties*.

The Company has also adopted Organisational Implementation Instructions with regard to the *Procedure for Related-Party Transactions* – that were updated during the Board of Directors meeting of 19 February 2018 – in order to:

- (i) establish the methods and timing for the preparation and updating of the related-party database compiled specifically for the *Procedure*;
- (ii) monitor the rules for identifying related-party transactions before they are finalised and oversee the preliminary procedures by identifying those persons that should give and/or receive information, the subjects appointed to ascertain if a specific transaction comes under the application of the *Procedure*, as well as the means of guaranteeing the traceability of the transaction under examination;
- (iii) establish the methods, timing and responsibility for managing the process of informing the public as required by the *Procedure*.

10. Investor Relations

The Company has adopted a communication policy with the aim of establishing a continuous dialogue with all shareholders and, in particular, with institutional investors, ensuring the systematic and prompt dissemination of exhaustive information regarding its activities, while complying with the regulations on inside information.

The Company has an Investor Relations Manager who is responsible for relations with the financial community.

The means of financial communication are those of systematic contact with financial analysts, institutional investors and the specialist media in order to ensure a full and proper understanding of trends in the Company's strategic direction, the implementation of strategy and the impact on the results of the business.

In addition, the Company believes that dialogue with investors is fostered by providing sufficient information to allow them to make informed decisions when exercising their rights and by organising the content of the Company's website (www.fieramilano.it) in the *Investor Relations*

section) so that they can access economic and financial information (annual financial statements, half-yearly and quarterly interim financial statements, presentations to the financial community), as well as updated data and documents of general interest to shareholders (press releases, the corporate calendar, composition of the Company's governing bodies, the Company Articles of Association, minutes of Shareholder Meetings, an outline of the Group structure, the *Code of Ethics*, the *Internal Dealing Code*, and the related filing models etc.).

11. Shareholders' Meetings

The Shareholders' Meeting represents all shareholders and its decisions, taken in accordance with the law and the Company Articles of Association, are mandatory and binding on all shareholders, including those who did not attend the Meeting, who abstained or who dissented, although dissenting shareholders have rights of rescission under certain circumstances.

The Shareholders' Meeting of 23 April 2013 adopted, in accordance with the provisions of Article 9.C.3 of the Self-regulatory Code, *Rules of Procedure* that govern the conduct of Ordinary and Extraordinary Shareholders' Meetings. These Rules are publicly available on the Company website www.fieramilano.it in the section *Investor Relations/ Corporate Governance/ Shareholders' Meetings*.

The aforementioned *Rules of Procedure* define the procedure to be followed to ensure the orderly and correct conduct of Shareholders' Meetings whilst guaranteeing the right of each shareholder to speak on the matters under discussion.

The Shareholders' Meeting is convened and deliberates, under the law and regulations for companies with listed shares, on matters that are its right under the law.

The Shareholders' Meeting is authorised to approve, inter alia, in an ordinary or extraordinary meeting (i) the appointment or removal of members of the Board of Directors and of the Board of Statutory Auditors and their relevant remuneration and responsibilities, (ii) the approval of the Financial Statements and the allocation of profits, (iii) the purchase and disposal of treasury stock, (iv) changes to the Company's Articles of Association, (v) the issue of convertible bonds.

Under enacted law, legitimate attendance and the exercise of the right to vote in Shareholders' Meetings is restricted to those who appear as shareholders on the seventh trading day prior to the date of the Shareholders' Meeting and who present to the issuer the relevant communication from an intermediary that accords with the latter's accounting records on behalf of the person having the right to vote at the Shareholders' Meeting using the aforementioned mechanism.

12. Other corporate governance procedures

Management policy for whistleblowing disclosures, including anonymous disclosures, received by Fiera Milano S.p.A. and its subsidiaries

On 8 November 2016, a *Management policy for whistleblowing disclosures, including anonymous disclosures, received by Fiera Milano S.p.A. and its subsidiaries* was adopted; the policy governs the procedure for the receipt, analysis and treatment of whistleblowing disclosures, including those on possible irregularities made anonymously or in confidence from third parties or from Fiera Milano Group personnel.

The disclosures may concern, amongst other matters: crimes, offences or irregularities and/or behaviour of any kind, also omissive behaviour, regarding employees of the Fiera Milano Group or third-parties that violates the *Code of Ethics*, the Model 231 adopted by the companies of the Fiera Milano Group, internal rules, laws, regulations or requirements issued by the authorities or any act likely to cause damage or detriment of any kind to the Fiera Milano Group.

When the Policy was last revised, a new Whistleblowing Committee was appointed comprising the heads of Security, Compliance and Internal Control. This Committee reports to the Supervisory Committee on any checks that have been carried out when the provisions of Legislative Decree 231/01 have been breached.

Although whistleblowing notifications may be made in any way, the Company has set up different channels of communication that include a website, an e-mail address, a toll-free number, and a postal address. The channels set up for direct disclosure to the Supervisory Committees of Group companies under Legislative Decree 231 remain valid (dedicated accounts).

Regulation of Direction and Coordination

The Company has regulations governing the exercise of direction and coordination by the Parent Company.

This document was prepared to set guidelines for the direction and coordination activity of the higher authority over the subordinate entity, with the aim of providing a solid base for the research and development of more extensive and more effective interrelationships.

The Regulation identifies precise responsibilities regarding, respectively, the Company and its subsidiaries, within an unambiguous and reciprocal assumption of duties, and it establishes precise governance procedures appropriately gauged to provide an equitable balance between requirements for centralisation and respect for the autonomous management of the subsidiaries.

It also specifies that in the Group's regulatory hierarchy the organisational regulations come below the Parent Company's Articles of Association and those of the various companies of the Group.

The Parent Company Shareholders' Meeting approved this Regulation on 15 April 2010 and, subsequently, in order for it to be adopted, the Regulation was presented to the Shareholders' Meetings of the individual companies of the Group so that each of them could independently approve it as the basis for their own operations.

On 12 January 2011, the individual Italian companies of the Group amended their own articles of association to make specific reference to the exercise of direction and coordination, pursuant to Articles 2497 and 2497-*bis* of the Italian Civil Code, by the Parent Company Fiera Milano, as well as to assess the possibility for the Parent Company to centralise the management and, in the interest of the entire Group, specific functions for the subsidiaries as part of a strategy of shared services.

On 23 April 2013, the Shareholders' Meeting of the Parent Company approved the integration of the Regulation with a recommendation that the members of the Board of Statutory Auditors of the Parent Company, in line with best practice on this matter, should be appointed as Statutory Auditors in the Boards of Statutory Auditors of the subsidiaries. The aim of this change was to rationalise and simplify the organisation and to create important synergies that would guarantee greater efficiency and efficacy of the control systems that would be of benefit to the entire Group.

13. Changes subsequent to the end of the financial year under review

There have been no changes in the corporate governance of the Company subsequent to the end of the financial year under review.

14. Letter dated 13 December 2017 from the Chairperson of the Corporate Governance Committee

The recommendations in the letter dated 13 December 2017 from the Chairperson of the Corporate Governance Committee were brought to the attention of the Board of Directors by Prof. Caprio at the Board meeting of 19 February 2018.

Tables

The two tables on the following pages summarise the Company's adherence to the main corporate governance requirements of the Self-regulatory Code.

The first table gives the structure of the Board of Directors and its internal committees. It lists the Directors and the category to which they belong (Executive, Non-executive and Independent). It also shows the composition of the various committees.

The second table gives the composition of the Board of Statutory Auditors. It lists the members of the Board, both standing and substitute, and indicates if they have been nominated from lists put forward by non-controlling interests.

Both tables give information on the number of meetings held by the Board of Directors, the various committees and by the Board of Statutory Auditors and the attendance rate of each individual member. The tables also show the number of administrative positions held in other companies; these are also detailed in the text of this Report.

Table 1. Structure of the Board of Directors and of its Committees

| BOARD OF DIRECTORS | | | | | | | | | | | | Control and Risk Management Committee | Appointments and Remuneration Committee | | |
|---|------------------------------|---------------|----------------------|-----------------------|------|-------|-----------|----------------------------|--------------------------------------|-------|-------------------------------|---------------------------------------|---|-----|-----|
| Position | Member | Year of birth | Date first appointed | In carica da / fino a | List | Exec. | Non-exec. | Independent under the Code | Independent under the Cons. Fin. Act | * | No. of other positions held** | *** | * | *** | * |
| Chairperson | Lorenzo Caprio | 1957 | 21.04.2017 | a | b | | X | X | X | 14/14 | 2 | α | 6/6 | | |
| Chief Executive Officer | Fabrizio Curci [°] | 1972 | 25.07.2017 | a | b | X | | | | 5/5 | - | | | | |
| Director | Marina Natale Δ | 1962 | 21.04.2017 | a | b | | X | | | 14/14 | 3 | | | M | 1/1 |
| Director | Alberto Baldan | 1960 | 21.04.2017 | a | b | | X | X | X | 13/14 | 5 | | | M | 4/5 |
| Director | Stefania Chiaruttini | 1962 | 21.04.2017 | a | b | | X | X | X | 13/14 | | P | 8/8 | | |
| Director | Gianpietro Corbari | 1961 | 21.04.2017 | a | b | | X | X | X | 12/14 | 1 | | | α α | 4/4 |
| Director | Francesca Golfetto | 1950 | 21.04.2017 | a | b | | X | X | X | 14/14 | 2 | M | 8/8 | | |
| Director | Angelo Meregalli | 1967 | 21.04.2017 | a | b | | X | X | X | 12/14 | | M | 6/8 | | |
| Director | Elena Vasco | 1964 | 21.04.2017 | a | b | | X | X | X | 11/14 | 3 | | | P | 5/5 |
| DIRECTORS NO LONGER IN POSITION IN THE FINANCIAL PERIOD UNDER REVIEW | | | | | | | | | | | | | | | |
| Chairperson | Roberto Rettani • | 1953 | 29.04.2015 | c | b | X | | | | 11/11 | | | | | |
| Deputy Vice Chairperson | Attilio Fontana | 1952 | 16.04.2009 | c | b | | X | X | X | 10/11 | | | | P | 3/3 |
| Vice Chairperson | Licia Ronzulli | 1975 | 29.04.2015 | c | b | | X | X | X | 11/11 | | | | M | 3/3 |
| Director | Joyce Victoria Bigio | 1954 | 29.04.2015 | c | b | | X | X | X | 10/11 | | P | 6/6 | | |
| Director | Renato Borghi ° | 1948 | 29.10.2006 | c | b | | X | | X | 10/11 | | ° | 1/2 | | |
| Director | Pier Andrea Chevallard | 1951 | 08.02.2010 | c | b | | X | X | X | 10/11 | 2 | | | | |
| Director | Corrado Peraboni ϕ | 1964 | 29.04.2015 | c | b | | | | | 10/11 | | | | | |
| Director | Romeo Robiglio | 1931 | 27.10.2003 | c | b | | X | | | 7/11 | | | | M | 1/3 |
| Director | Vincenza Patrizia Rutigliano | 1968 | 29.04.2015 | c | b | | X | X | X | 10/11 | | M | 6/6 | | |

Number of meetings held in the financial year ended 31 December 2017 25 14 8

Shareholding required by non-controlling shareholders to present lists (under Article 147-ter of the Consolidated Finance Act): 2.50%

NOTES

* This column shows the attendance rate of Directors at Board Meetings and at Committee Meetings. It gives the number of meetings attended compared to the number of meetings held (no. attended/ no. of meetings held while the Director was in office in the period under review).

** This column shows the number of other positions of Director or Statutory Auditor held in listed companies, banks or in companies of material size on regulated markets, including those outside Italy.

*** This column shows the role of the Director on the committee: "C" = Chairperson, "M" = member.

α Professor Lorenzo Caprio was a member and Chairperson of the Control and Risk Management Committee until the date of his resignation from these positions on 23 October 2017. On the same date, the BoD approved that the Control and Risk Management Committee be composed of three members and appointed Ms Stefania Chiaruttini as Chairperson of the Committee.

αα On 2 May 2017, the Appointments and Remuneration Committee was set up. Prior to this date there was an internal Board committee, the Remuneration Committee. Mr Gianpietro Corbari was a member and the Chairperson of the Appointments and Remuneration Committee until the date of his resignation from these positions on 23 October 2017. On the same date, the Board of Directors appointed Ms Marina Natale as a new member of the aforementioned Committee and Ms Elena Vasco as its Chairperson.

° This indicates the Director responsible for the internal control and risk management system.

Δ Ms Marina Natale held the position of Chief Executive Officer of the Company until 31 August 2017.

a Appointed by the Shareholders' Meeting of 21 April 2017 for a three-year period ending with the approval of the Financial Statements at 31 December 2019. The Board of Directors took office on 2 May 2017. Mr Curci was appointed Chief Executive Officer at the Shareholders' Meeting of 25 July 2017 when the number of Directors was increased to nine. Mr Curci's mandate runs from 1 September 2017 until the date the mandate of the other Directors expires.

b Appointed from the only list presented - that of the controlling shareholder Fondazione E. A. Fiera Internazionale di Milano.

c Appointed by the Shareholders' Meeting of 29 April 2015 until the approval of the Financial Statements at 31 December 2017. The majority of the Directors resigned their positions on 13 January 2017 and the Board of Directors were no longer in position from the date of the Shareholders' Meeting to approve the Financial Statements at 31 December 2016.

• Following the resignation of the Chief Executive Officer, Mr Peraboni, on 13 January 2017, the Board of Directors appointed its Chairperson, Mr Rettani, to be responsible for the ordinary management of the Company. Following this appointment, the Chairperson no longer met the requirements regarding independence both under the Self-regulatory Code of Borsa Italiana and under Article 148, paragraph 3 of Legislative Decree no. 58 of 24 February 1998.

ϕ Mr Peraboni held the position of Chief Executive Officer until his resignation on 13 January 2017.

° The Director, Mr Borghi, was a member of the Control and Risk Management Committee until his resignation on 17 February 2017. He was present at one meeting of the Control and Risk Management Committee in 2017.

Table 2. Structure of the Board of Statutory Auditors

| BOARD OF STATUTORY AUDITORS | | | | | | | | | |
|--|------------------------------|---------------|----------------------|----------------------|------|----------------------------|--|-------------------------------|--|
| Position | Member | Year of birth | Date first appointed | In office from/until | List | Independent under the Code | Attendance at meetings of the Board of Statutory Auditors* | No. of other positions held** | |
| Chairperson | Federica Palmira Nolli | 1959 | 29/04/2015 | a | b | X | 14/14 | - | |
| Statutory Auditor | Antonio Guastoni | 1951 | 29/04/2015 | a | b | X | 13/14 | 4 | |
| Statutory Auditor | Carmine Pallino | 1967 | 29/04/2015 | a | b | X | 12/14 | - | |
| Substitute Auditor | Francesca Maria D'Alessandro | 1970 | 29/04/2015 | a | b | | | | |
| Substitute Auditor | Alessandro Carlo Galli | 1973 | 29/04/2015 | a | b | | | | |
| Number of meetings held in the financial year to 31 December 2017 | | | | | | | 14 | | |
| Shareholding required by non-controlling interests to present lists of candidates (under Article 148 of the Consolidated Finance Act) | | | | | | | 2.50% | | |

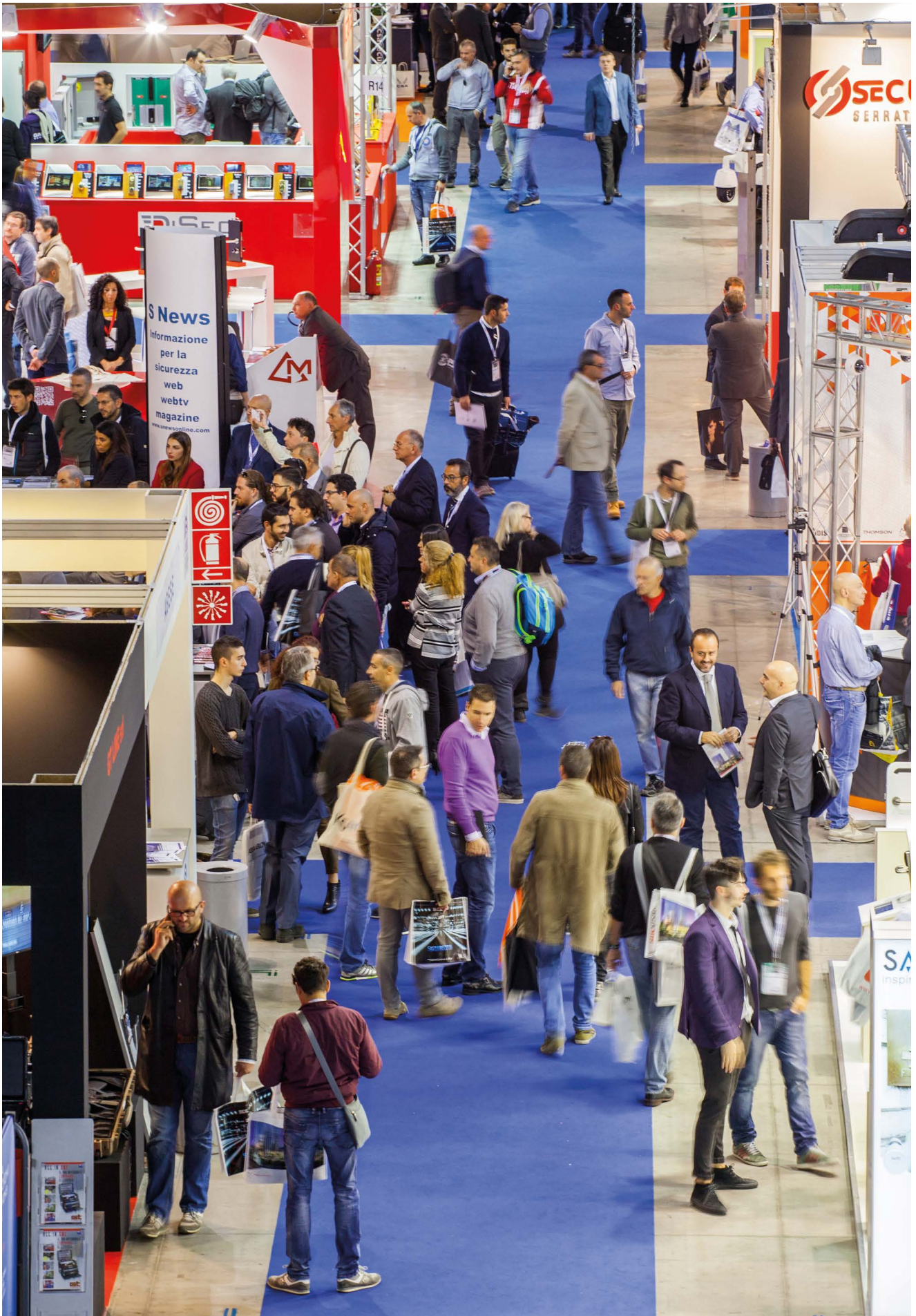
NOTES

* This column shows the attendance rate at meetings of the Board of Statutory Auditors (no. of times present/ no. of meetings held during the period of appointment).

** This column shows the number of positions held as Director or Statutory Auditor under Article 148-bis of the Consolidated Finance Act.

a Appointed by the Shareholders' Meeting of 29 April 2015 for a three-year period ending with the approval of the Financial Statements at 31 December 2017.

b Appointed from the only list presented - that of the controlling shareholder Fondazione E. A. Fiera Internazionale di Milano.



Proposals for the Ordinary Meeting of Shareholders

The Ordinary Meeting of shareholders of Fiera Milano S.p.A. will be convened once in Rho (Milan), in the Auditorium in the Centro Servizi of the exhibition site, Strada Statale del Sempione 28, (reserved parking is available with entry from Porta Sud), on 23 April 2018 at 15.00 hours.

(Report pursuant to Article 125-ter, paragraph 1, of Legislative Decree 24 February 1998, no. 58 and subsequent amendments)

1. Financial Statements at 31 December 2017, the Board of Directors' Management Report, the Report of the Board of Statutory Auditors, The Report of the Independent Auditors. Presentation of the Consolidated Financial Statements at 31 December 2017 and the Consolidated Disclosure of Non-financial Information under Legislative Decree no. 254/2016.

Dear Shareholders,

The preliminary Financial Statements for the financial year ended 31 December 2017 that we submit for your attention show a net loss of Euro 863,987.03, which we propose should be covered as indicated below. Further detailed information is provided in the Board of Directors' Management Report that is part of the Annual Financial Statements.

We also submit the Group Consolidated Financial Statements for the financial year to 31 December 2017 for your attention; although these are not subject to approval by the Shareholders' Meeting, they complement the information provided in the Financial Statements of Fiera Milano S.p.A.

Given the above, we submit for your approval the following

proposed resolution

"The Shareholders' Meeting of Fiera Milano S.p.A., having considered the Board of Directors Management Report, the Report of the Board of Statutory Auditors and the report of the Independent Auditors, and having examined the Financial Statements for the year to 31 December 2017,

approves

1) the Financial Statements for the year to 31 December 2017, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the relative explanatory and supplementary notes to the financial statements that show a net loss of Euro 863,987.03 as presented by the Board of Directors in its entirety, and each individual item with the proposed allocations, as well as the Board of Directors' Management Report;

2) covering the net loss for the financial year of Euro 863,987.03 by using the share premium reserve.

We also present to the Shareholders' Meeting the Consolidated Disclosure of Non-financial Information prepared by the Company in accordance with Legislative Decree 254/2016.

2. Appointment of the Board of Statutory Auditors.

Dear Shareholders,

With reference to the second item on the Agenda, we would point out that the mandate, given the Board of Statutory Auditors by the Shareholders' Meeting of 29 April 2015, expires with the approval of the Financial Statements at 31 December 2017.

Therefore, we invite you, in accordance with Article 2364, paragraph 1, section 2) of the Italian Civil Code, to appoint a new control body, in accordance with prevailing law and regulations and with Article 20 of the Company Articles of Association, which are available on the Company website www.fieramilano.it in the section *Investor Relations/Corporate Governance/Company Articles of Association*.

The appointment of the Board of Statutory Auditors is done in two separate votes: the first, using the system of lists, to appoint the Standing Statutory Auditors, the Supplementary Statutory Auditors and the Chairperson; the second, using a majority vote, is to decide the remuneration of the Board of Statutory Auditors.

2.1 Appointment of the members of the Board of Statutory Auditors and its Chairperson.

We would remind you that:

- under Article 20.1 of the Company Articles of Association, the Board of Statutory Auditors is composed of three Standing Statutory Auditors of which at least one must be of the least represented gender and two Supplementary Standing Auditors, one of each gender;
- under Article 20.2 of the Company Articles of Association, the appointment of the Board of Statutory Auditors is made from lists submitted by shareholders in which the candidates are numbered progressively and which do not contain a number of candidates that exceeds the number of persons to be appointed. The lists must include candidates of both genders. Each candidate may appear on just one list on pain of ineligibility;
- under Article 2400 of the Italian Civil Code, the duration of the mandate of the Board of Statutory Auditors is three financial years;
- outgoing Statutory Auditors may be re-elected;
- persons may not be appointed as a Standing Statutory Auditor, and, if elected, will forfeit their position, if they have this position in more than four companies listed on regulated markets or in other issuers of financial instruments that are widely held by the public;
- under the Company Articles of Association, prevailing law and Consob Resolution no. 20273 of 24 January 2018, only shareholders, who alone or together with other shareholders represent at least 2.5% of the Company share capital with the right to vote in Ordinary Shareholders' Meetings, may submit lists of candidates for the role of Statutory Auditor;
- lists of candidates to be a member of the Board of Statutory Auditors and their names must be submitted in accordance with prevailing law and Article 20.2 of the Company Articles of Association. Lists that do not meet these requirements will be considered as not having been submitted;

- under Article 20.2 of the Company Articles of Association, the Chairperson of the Board of Statutory Auditors is the first candidate on the list obtaining the second highest number of votes and who is not connected, directly or indirectly, as required by prevailing laws and regulations, with the shareholders that presented, took part in presenting, or voted for the list obtaining the greatest number of votes;
- if only one list is submitted or no list is submitted, the Shareholders' Meeting will appoint the members of the Board of Statutory Auditors in accordance using legal majorities and ensuring that the requirement for gender balance is met;
- under Article 2400, last paragraph of the Italian Civil Code, when the members of Board of Statutory Auditors are appointed and before they accept their appointments, the Shareholders' Meeting must be told of all the administration and control positions held by each candidate in other companies.

Moreover, shareholders who intend to submit lists of candidates for the Board of Statutory Auditors should note that:

candidates to be a member of the Board of Statutory Auditors must possess the necessary requirements of independence under Article 148, paragraph 3, of Legislative Decree 58/1998 ("**The Consolidated Finance Act**") and of probity and professionalism under Ministerial Decree no. 162 of 30 March 2000;

although since 15 November 2016, Fiera Milano S.p.A. has no longer been part of the STAR segment of the Italian Stock Exchange (MTA - *Mercato Telematico Azionario*) of Borsa Italiana S.p.A., it has stated its intention to adhere to the qualitative standards of corporate governance, transparency, and liquidity of the STAR segment and, therefore, with Borsa Italiana Rules and relevant Regulations, and intends:

- to ensure that the Statutory Auditors are chosen from among persons meeting the requirements of independence under the criteria for Directors in the Self-regulatory Code for Listed Companies of Borsa Italiana S.p.A. (hereinafter the "**Self-regulatory Code**");
- to apply the provisions and criteria under Article 8 of the Self-regulatory Code to the composition of the Board of Statutory Auditors;

The lists, each composed of two sections - one section for candidates to be elected as Standing Statutory Auditors and one for candidates to be elected as Substitute Statutory Auditors - must be signed by those who presented the lists and deposited at the registered office or, preferably, at the operational and administrative offices of the Company in Rho (Milan), Strada Statale del Sempione 28 (Investor Relations Department) or alternatively sent by e-mail to the e-mail address investor.relations@fieramilano.it by the twenty-fifth day prior to the date of the only convocation of the Shareholders' Meeting and must be accompanied by:

- information relating to the identities of the shareholders presenting the list and the percentage of shares they hold and by authentication, released in accordance with law by authorised persons, attesting to the ownership of the shares. The authentication proving ownership of the shares on the date the lists were deposited may be presented later than the aforementioned date as long as it is by the twenty-first day prior to the date of the only convocation of the Shareholders' Meeting;
- declarations in which the individual candidates accept their candidacy and testify, of their own responsibility, that no reasons of ineligibility or incompatibility exist, including that under Article 20.1 of the Company Articles of Association regarding the limit to the total number of positions that may be held, and that he/she meets the enacted legal and regulatory requirements to be appointed;
- a personal and professional *curriculum vitae* of each candidate that lists the administration and control positions held in other companies, also in the past, (should any changes occur prior to the Shareholders' Meeting, this list must be immediately updated and communicated to the Company);

- iv. if a list is submitted by shareholders who do not hold alone or in conjunction with other shareholders a controlling shareholding or a relative majority of the share capital of the Company, a statement must be given by the aforementioned shareholders that confirms the absence of any relationship with one or more reference shareholders as defined under enacted law, the provisions of Article 144-*sexies*, paragraph 4, letter b), Consob Resolution no. 11971/1999 and subsequent amendments and additions (hereinafter the “**Listing Rules**”) and the Company Articles of Association;
- the Company will make the lists publicly available at least twenty-one days before the date fixed for the Shareholders’ Meeting in accordance with the Company Articles of Association and Article 144-*octies* of the Listing Rules.

Lastly, under Article 144-*sexies*, paragraph 5 of the Listing Rules, if, by the end of the twenty-fifth day prior to the date of the Shareholders’ Meeting, only one list with candidates for membership of the Board of Statutory Auditors or only lists from shareholders who, under Article 144-*sexies*, paragraph 4 of the Listing Rules are connected in such a way as described in Article 144-*quinquies* of the Listing Rules, have been submitted, the period in which lists may be submitted will be extended by a further three days from the aforementioned date and the shareholding required to submit lists will be halved (i.e. to 1.25% of the share capital).

The mandate of the members of the Board of Statutory Auditors appointed in accordance with all the above is for three financial years and, therefore, until the date of the Shareholders’ Meeting convenes to approve the Financial Statements at 31 December 2020.

2.2. Resolution on remuneration.

The Shareholders’ Meeting is required to decide – under the combined provisions of Article 2364, paragraph 1, point 3) and Article 2402 of the Italian Civil Code – the annual remuneration of the Statutory Auditors and of the Chairperson of the Board of Statutory Auditors. It should be noted that Article 8.C.3. of the Self-regulatory Code recommends that “*the remuneration of the Statutory Auditors is commensurate with the work required of them, with the importance of the position held and with size and sector in which the entity operates*”.

The Board of Directors defers to the Shareholders’ Meeting regarding any decision on the remuneration of the Statutory Auditors with the following

proposed resolution

“The Shareholders’ Meeting of Fiera Milano S.p.A., having acknowledged the appointment of the new Board of Statutory Auditors,

approves

remuneration of the Standing Statutory Auditors for the duration of their mandate that totals a gross sum Euro [•] each year, of which Euro [•].00 for the Chairperson and Euro [•].00 for each Standing Statutory Auditor, as well as the reimbursement of any expenses incurred whilst carrying out their role.

3. Report on Remuneration pursuant to Article 123-ter of Legislative Decree 58/98.

Dear Shareholders,

On 12 March 2018, the Board of Directors, in accordance with prevailing law, approved the Report on Remuneration (hereinafter also the “**Report**”) prepared in accordance with Article 123-*ter* of the Consolidated Finance Act, which was made publicly available on 13 March 2018.

Under paragraph 6 of Article 123-ter of the Consolidated Finance Act, the Shareholders' Meeting is asked to give a non-binding opinion, either favourable or unfavourable, on Section One of the Report.

Given this, the Directors submit for your examination Section One of the aforementioned Report, which describes the Company remuneration policy (hereinafter also the "Policy"), to which the Board of Directors adheres when determining the remuneration of members of the Board of Directors, and, in particular, the Directors with special responsibilities, members of the Committees and the Executives responsible for Group strategy.

The Remuneration Policy is the result of a clear and transparent process in which the Company Board of Directors and the Appointments and Remuneration Committee play central roles.

The Board of Directors of the Company, on the proposal of the Appointments and Remuneration Committee, has adopted the Policy as most recently modified on 12 March 2018, which was prepared also following the recommendations of Article 6 of the Self-regulatory Code.

Specifically, the Remuneration Policy of the Company aims to:

- attract, motivate and retain resources with the professional qualities necessary to the advantageous pursuit of the Group objectives;
- align the interests of management with those of the shareholders, pursuing the main aim of sustainable value creation over the medium/long-term by forging a strong link between remuneration on the one hand and individual and Group performance on the other;
- reward merit in order to recognise adequately the individual contribution made by employees.

For details of the Report on Remuneration and, in particular, Section One that we submit for your consideration, please refer to the document, which is available on the Company website www.fieramilano.it in the section Investor Relations/ Corporate Governance/ Shareholders' Meetings.

Given the above, we submit for your approval the following

proposed resolution

"The Shareholders' Meeting of Fiera Milano S.p.A., having considered the Report on Remuneration pursuant to Article 123-ter of Legislative Decree 58/98 and, in particular, Section One of the Report,

approves

the contents of Section One of the Report on Remuneration, prepared in accordance with Article 123-ter of Legislative Decree 58/98, regarding the Company policy on remuneration of the members of the Board of Directors and, in particular, the Directors with special responsibilities, members of the Committees and the Executives responsible for the Group strategy, and the procedures required to adopt and implement this policy".

4. Approval of the new incentive plan under Article 114-bis of Legislative Decree 58/98.

Dear Shareholders,

On 12 March 2018, the Board of Directors decided that, given the management and corporate governance changes in Fiera Milano and, therefore, in the reference strategic objectives, to submit for your examination, in accordance with Article 114-bis of the Consolidated Finance

Act, a new medium/long-term incentive scheme – comprising both cash and performance shares – called the “*Performance Share Plan 2018-2019*” (hereinafter also the “**Plan**”)

The Information Document, prepared under the provisions of prevailing law, details the terms and conditions of the Plan.

For specific details of the Information Document for the Plan submitted for your examination, please refer to the Document itself, which is available on the Company website www.fieramilano.it in the section *Investor Relations/Corporate Governance/Shareholders' Meetings*.

The Shareholders' Meeting will be asked to approve not only the guidelines of the Plan contained in the document but also to give the Board of Directors all the necessary and appropriate powers to implement the Plan, in particular (for example) every power: (i) to identify, include or exclude Beneficiaries, (ii) to determine the number of shares to be allocated free of charge to each Beneficiary, the bonus amount and the number of shares to be allocated to each Beneficiary, (iii) to draw up the allocation forms and determine the performance targets under the Plan, (iv) to verify that the conditions in the Rules governing the Plan for paying the bonus and allocating the shares to each Beneficiary have been met; (v) to make the allocations to the Beneficiaries, (vi) to prepare and approve the Rules governing the Plan and make any changes to them considered necessary and/or appropriate, also to adjust them in the light of any extraordinary events that might occur, (vii) prepare and/or finalise any document necessary or appropriate regarding the Plan, including the communication of information to the market in accordance with applicable law and regulations and (viii) to carry out any action, fulfil any obligation, formality or make any communication necessary or appropriate to manage and/or implement the Plan, with the faculty of delegating the powers, tasks and responsibilities for the execution and implementation of the Plan.

Given the above, we submit for your approval the following

proposed resolution

“The Shareholders' Meeting of Fiera Milano S.p.A., having considered the Information Document relating to the Plan

- *and Articles 114-bis of Legislative Decree 58/98 and 84-bis of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions (the “Listing Rules”);*
- *and the illustrative Report of the Board of Directors and the Information Document prepared under the aforementioned Article 114-bis of Legislative Decree 58/98,*

approves

- 1) *the Performance Share Plan 2018-2019 prepared in accordance with Article 114-bis of Legislative Decree 58/98, under the terms described above and as detailed in the Information Document for the Plan published in accordance with applicable rules, to replace the 2017-2023 Stock Option Plan approved by the Ordinary Shareholders' Meeting on 28 April 2016;*
- 2) *to give the Board of Directors all the necessary and appropriate powers to implement the Performance Shares Plan 2018-2019, including, for example, every power: (i) to identify, include or exclude Beneficiaries, (ii) to determine the number of shares to be allocated free of charge to each Beneficiary, the bonus amount and the number of shares to be allocated to each Beneficiary, (iii) to draw up the allocation forms and determine the performance targets under the Plan, (iv) to verify that the conditions in the Rules governing the Plan for paying the bonus and allocating the shares to each Beneficiary have been met; (v) to make the allocations to the Beneficiaries, (vi) to prepare and approve the Rules governing the Plan and make any changes to them considered necessary and/or*

appropriate, also to adjust them in the light of any extraordinary events that might occur, (vii) prepare and/or finalise any document necessary or appropriate regarding the Plan, including the communication of information to the market in accordance with applicable law and regulations and (viii) to carry out any action, fulfil any obligation, formality or make any communication necessary or appropriate to manage and/or implement the Plan, with the faculty of delegating the powers, tasks and responsibilities for the execution and implementation of the Plan”.

5. Authority for the buy back and disposal of treasury shares under Articles 2357 and 2357-ter of the Italian Civil Code, following prior cancellation of the decision of the Shareholders’ Meeting of 21 April 2017.

(Report pursuant to Article 73 and Attachment 3A of the Listing Rules)

Dear Shareholders,

The Shareholders’ Meeting of 21 April 2017 authorised the Company to buy back treasury shares for a period of 18 months from the date the authority was approved and to dispose of all and/or part of the shares acquired with no time limits and even before the purchase mandate has been exhausted.

The Company has not used this authority and, therefore, at today’s date, holds, directly and indirectly 939,018 treasury shares, equivalent to 1.31% of the share capital.

Since the aforementioned authority expires on 21 October 2018, in order to avoid convening a special Shareholders’ Meeting around this expiry date, we believe that it would be useful that you to approve a new authority to buy back and dispose of treasury shares in accordance with Articles 2357 and following of the Italian Civil Code, following prior cancellation of the existing authority.

The buy back of the Company’s own ordinary shares will be carried out in accordance with the existing rules for listed companies and any other European Union and national laws that are applicable.

The reasons and procedures for the buy back and disposal of treasury shares for which we request your authority are given below.

A) Reasons for requesting the authority to buy back and dispose of treasury shares

The Board of Directors is requesting this authority as it is of the opinion that the buy back of treasury shares could represent an attractive investment opportunity and/or may be instrumental in improving the financial structure of the Company as it may facilitate future agreements involving the exchange of shareholdings.

The authority is requested in order to carry out transactions, in accordance with enacted law and regulations, to stabilise share price movements linked to anomalies in the market, improving the liquidity of the shares.

The authority is also requested so that treasury shares are available for use in stock option incentive plans (and, in particular, as part of the incentive scheme to be submitted for your approval at the Shareholders’ Meeting convened on 23 April 2018) that may be approved under the provisions of law or as part of any bond issue convertible into shares of the Company.

It is also proposed that, at the same time, the Shareholders' Meeting authorises the Board of Directors to dispose, under the conditions and within the limits stipulated below, of any shares purchased, as well as of any treasury shares already held as this facility is considered an important component of management and strategic flexibility.

B) Maximum number and nominal value of the shares to which the authority applies; compliance with the provisions of paragraph 3 of Article 2357 of the Italian Civil Code

The buyback mandate requested applies to the Company's ordinary shares that have no nominal value and, in accordance with Article 2357, paragraph 3, of the Italian Civil Code, may not exceed one-fifth of the share capital, including the shares held by the Company and its subsidiaries at today's date. Directions given to the subsidiaries will require them to give prompt notice of any purchase of shares in Fiera Milano S.p.A. in order to ensure compliance with the aforementioned total limit of 20% of the share capital of the Company.

At the date of the present Report, the issued and fully paid up share capital of the Company is Euro 42,445,141.00 (forty-two million four hundred and forty-five thousand one hundred and forty-one) and is made up of 71,917,829 (seventy-one million nine hundred and seventeen thousand eight hundred and twenty-nine) registered shares with no nominal value.

The consideration paid or received for transactions in treasury shares will be recognised directly in equity as required by IAS 32 and the accounting treatment thereof will comply with any regulations that may be enacted.

C) Duration of the authority

The buyback authority is requested for a period of eighteen months from the date of approval by the Shareholders' Meeting, while the authority for the Board of Directors to dispose of the shares is requested without a time limit.

D) Consideration for the buyback and disposal of shares

Without prejudice to the provisions of paragraph E) below, treasury shares may be purchased under the provisions for transactions in Article 3 of the Commission Delegated Regulation (EU) 2016/1052 (hereinafter the "Regulation 1052") supplementing Regulation (EU) 596/2014 and the applicable provisions of the Italian Civil Code at a price that is no higher than the higher of the price of the most recent independent transaction and the current highest independent offer price in the market where the acquisition transaction is done subject to the unit price of the shares being no higher than 10% and no lower than 10% of the reference price recorded by Fiera Milano shares on the Italian stock exchange (MTA – Mercato Telematico Azionario) organised and managed by Borsa Italiana S.p.A. in the trading session preceding each individual transaction.

The shares may be sold, even before the buyback mandate has been exhausted, in one or more tranches and the selling price must be no lower than that of the lowest purchase price.

This price limit will not be applicable in the event the shares are disposed of as part of an equity-based incentive scheme. If the shares are used as part of extraordinary transactions, for example, share swaps, exchanges, conferrals or as part of capital transactions or other corporate and/or financial transactions and/or other extraordinary transactions and any other non-cash asset disposal transaction, the financial terms of the transaction will be decided by the Board of Directors according to the type and characteristics of the transaction, also taking account of the market performance of the Fiera Milano shares.

E) Procedures for the buyback of treasury shares

The buyback of treasury shares may be made in one or more *tranches*, in compliance with applicable laws and regulations including the market procedures recognised by Consob.

Purchases of treasury shares must be made under the provisions of Article 3 of Regulation 1052 and the applicable provisions of the Italian Civil Code and in such a way as to ensure equal treatment for all shareholders in accordance with Article 132 of the Consolidated Finance Act, exclusively in the following ways:

- i) public offer to buy or exchange;
- ii) on regulated markets in accordance with the operating procedures established by the rules for the organisation and management of said markets, which do not allow the direct matching of buy orders with sell orders at a predetermined price;
- iii) purchase and sale of derivative instruments traded on regulated markets that provide for the physical delivery of underlying shares, on the condition that the rules for organisation and management of the market provide for procedures that comply with those under Article 144-bis, paragraph 1, section c) of the Listing Rules.

Disposals may be made, even before the buyback authority has been exhausted, in one or more tranches, through sales on regulated and/or unregulated markets, or off market, or by public offer, or as consideration for the purchase of shareholdings or by way of a distribution to shareholders.

Given the above, we submit for your approval the following

proposed resolution

“The Shareholders’ Meeting of Fiera Milano S.p.A. of 23 April 2018,

- *having considered the proposal of the Board of Directors prepared under Article 125-ter of Legislative Decree 58/98, Article 73 of Consob Resolution no. 11971 issued on 14 May 1999, and in accordance with Attachment 3A – Table 4 of the same Resolution and the proposal contained therein and having taken account of the provisions of Articles 2357 and 2357-ter of the Italian Civil Code,*

approves

- 1) *the cancellation of the authority to buy back and dispose of treasury shares approved by the Ordinary Shareholders’ Meeting of 21 April 2017;*
- 2) *authorising the Board of Directors, in accordance with and by effect of Article 2357 and following of the Italian Civil Code, to buy back shares of the Company, in the amount, at the price, and according to the procedures described below:*
 - *that purchases may be made in one or more tranches up to 18 months from the date of the present resolution;*
 - *that the purchase price of each share is no higher than the higher of the price of the most recent independent transaction and the current highest independent offer price in the market where the acquisition transaction is done subject to the unit price of the shares being no higher than 10% and no lower than 10% of the reference price recorded by Fiera Milano shares on the Italian stock exchange (MTA – Mercato Telematico Azionario) organised and managed by Borsa Italiana S.p.A. in the trading session preceding each individual transaction;*
 - *that the maximum number of shares purchased, including treasury shares already held by the Company and its subsidiaries, must not exceed one fifth of the share capital;*

- *the purchase of treasury shares in one or more tranches, in compliance with applicable laws and regulations including the market procedures recognised by Consob. The buyback of treasury shares must be made respecting the provisions of Article 3 of Regulation 1052 and the applicable provisions of the Italian Civil Code and in such a way as to ensure equal treatment for all shareholders in accordance with Article 132 of Legislative Decree no. 58/1998, Article. 144-bis of Resolution no. 11971 issued on 14 May 1999 and any other applicable Italian or EU law;*
- 3) *authorising the Board of Directors under enacted law to dispose of part or all of the shares with no time restrictions even before the buyback authority has been exhausted; the disposals may be made in one or more tranches through sales on regulated and/or unregulated markets or off market, or by public offer, or as consideration for the purchase of shareholdings or by way of a distribution to shareholders. The selling price must be no lower than that of the lowest purchase price. This price limit will not be applicable in the event the shares are disposed of as part of an equity-based incentive scheme. If the shares are used as part of extraordinary transactions, for example, share swaps, exchanges, conferrals or as part of capital transactions or other corporate and/or financial transactions and/or other extraordinary transactions and any other non-cash asset disposal transaction, the financial terms of the transaction will be decided by the Board of Directors according to the type and characteristics of the transaction, also taking account of the market performance of the Fiera Milano shares;*
 - 4) *granting the Board of Directors and, acting on its behalf, the appointed Chairperson and Chief Executive Officer, jointly and severally, any necessary power to make purchases or disposals and, however, to implement the aforementioned resolutions, also through agents, complying with any eventual request from the competent authorities.*

Rho (Milan), 12 March 2018

On behalf of the Board of Directors
The Chairperson
Lorenzo Caprio

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Independent Auditors' Report

Consolidated Statement of Financial Position

(€ '000)

| notes | 31/12/17 | 31/12/16 |
|---|----------------|----------------|
| ASSETS | | |
| Non-current assets | | |
| 4 Property, plant and equipment | 13,765 | 14,509 |
| 5 Leased property, plant & equipment | - | 2 |
| Investments in non-core property | - | - |
| 6 Goodwill | 94,216 | 94,216 |
| 7 Intangible assets with a finite useful life | 12,493 | 17,777 |
| 8 Equity accounted investments | 18,339 | 18,198 |
| 9 Other investments | 61 | 29 |
| Other financial assets | - | - |
| 10 Trade and other receivables | 11,687 | 12,473 |
| 49 <i>of which from related parties</i> | 11,598 | 11,862 |
| 11 Deferred tax assets | 976 | 3,678 |
| Total | 151,537 | 160,882 |
| Current assets | | |
| 12 Trade and other receivables | 46,277 | 52,227 |
| 49 <i>of which from related parties</i> | 7,172 | 8,372 |
| 13-49 Inventories | 3,485 | 5,480 |
| Contracts in progress | - | - |
| 14 Current financial assets | 2,809 | 2,622 |
| 49 <i>of which from related parties</i> | 20,809 | 2,622 |
| 15 Cash and cash equivalents | 17,922 | 20,904 |
| Total | 70,493 | 81,233 |
| Assets held for sale | | |
| 46 Assets held for sale | - | 3,436 |
| Total assets | 222,030 | 245,551 |
| EQUITY AND LIABILITIES | | |
| 16 Equity | | |
| Share capital | 41,645 | 41,645 |
| Share premium reserve | 10,299 | 35,668 |
| Revaluation reserve | - | - |
| Other reserves | 3,059 | 1,714 |
| Retained earnings | 5,831 | 4,773 |
| Profit/(loss) for the year | 1,637 | (22,794) |
| Total Group equity | 62,471 | 61,006 |
| Equity attributable to non-controlling interests | 564 | 673 |
| Total equity | 63,035 | 61,679 |
| Non-current liabilities | | |
| Bonds in issue | - | - |
| 17 Bank borrowings | 3,503 | 14,108 |
| 18-49 Other financial liabilities | 42 | 42 |
| 19 Provision for risks and charges | 834 | 3,584 |
| 20 Employee benefit provisions | 9,379 | 9,302 |
| 21 Deferred tax liabilities | 3,225 | 3,523 |
| Other non-current liabilities | - | - |
| Total | 16,983 | 30,559 |
| Current liabilities | | |
| Bonds in issue | - | - |
| 22 Bank borrowings | 17,252 | 45,542 |
| 23-49 Trade payables | 48,437 | 41,114 |
| 24-49 Advances | 43,057 | 40,239 |
| 25 Other current financial liabilities | 729 | 3,364 |
| 49 <i>of which to related parties</i> | 37 | 2,503 |
| 26 Current provision for risks and charges | 7,193 | 4,763 |
| 27 Current tax liabilities | 2,010 | 1,605 |
| 28 Other current liabilities | 23,334 | 16,513 |
| 49 <i>of which to related parties</i> | 1,496 | 3,552 |
| Total | 142,012 | 153,140 |
| Liabilities held for sale | | |
| 46 Liabilities held for sale | - | 173 |
| Total liabilities | 222,030 | 245,551 |

Consolidated Statement of Comprehensive Income

(€ '000)

| notes | | 2017 | 2016 restated * |
|-------|---|----------------|-----------------|
| 32-49 | Revenues from sales and services | 271,327 | 221,041 |
| | Total revenues | 271,327 | 221,041 |
| 33-49 | Cost of materials | 3,228 | 2,281 |
| 34 | Cost of services | 148,279 | 121,423 |
| 49 | <i>of which with related parties</i> | 1,905 | 1,350 |
| 35 | Cost of use of third-party assets | 49,868 | 49,837 |
| 49 | <i>of which with related parties</i> | 45,576 | 45,891 |
| 36-49 | Personnel expenses | 48,860 | 44,101 |
| 37-49 | Other operating expenses | 5,398 | 4,222 |
| | Total operating expenses | 255,633 | 221,864 |
| 38 | Other income | 2,604 | 3,216 |
| 49 | <i>of which with related parties</i> | 807 | 1,380 |
| 39 | Results of equity accounted associates and joint ventures | 2,603 | 1,259 |
| 40 | Provisions for doubtful receivables and other provisions | 5,841 | 5,477 |
| | EBITDA | 15,060 | (1,825) |
| 41 | Depreciation of property, plant and equipment | 4,295 | 4,409 |
| | Depreciation of property investments | - | - |
| 41 | Amortisation of intangible assets | 2,539 | 3,989 |
| 42 | Adjustments to asset values | 2,854 | 12,771 |
| | EBIT | 5,372 | (22,994) |
| 43-49 | Financial income and similar | 429 | 576 |
| 44-49 | Financial expenses and similar | 1,203 | 1,561 |
| | Valuation of financial assets | - | - |
| | Profit/(loss) before tax | 4,598 | (23,979) |
| 45 | Income tax | 2,860 | (5,305) |
| 49 | <i>of which with related parties</i> | (536) | (3,340) |
| | Profit/(loss) from continuing operations | 1,738 | (18,674) |
| 46 | Profit/(loss) from discontinued operations | - | (4,176) |
| | Profit/(loss) of the period | 1,738 | (22,850) |
| 47 | Profit/(loss) attributable to: | | |
| | The shareholders of the controlling entity | 1,637 | (22,794) |
| | Non-controlling interests | 101 | (56) |
| 16 | Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss | | |
| | Revaluation of defined benefit schemes | 59 | (537) |
| | Imputazione Fair Value Stock Option | - | - |
| | Profit/(loss) from hedging instruments | - | - |
| | Tax effects | 13 | (128) |
| 16 | Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss | | |
| | Currency translation differences of foreign subsidiaries | (164) | 15 |
| | Other comprehensive income/(loss) of equity accounted associates and joint ventures that will not be reclassified subsequently to profit or loss | | |
| 2 | Revaluation of defined benefit schemes | 1 | 35 |
| | Tax effects | - | 8 |
| | Currency translation differences of foreign subsidiaries | (207) | (185) |
| | Other comprehensive income/(loss) net of related tax effects | (324) | (552) |
| | Total comprehensive income/(loss) for the year | 1,414 | (23,402) |
| | Total comprehensive income/(loss) for the year attributable to: | | |
| | The shareholders of the controlling entity | 1,314 | (23,199) |
| | Non-controlling interests | 100 | (203) |
| 48 | Earnings/(losses) per share (€) | | |
| | Basic | 0.0231 | (0.2611) |
| | Diluted | 0.0231 | (0.2611) |

* Starting with the Consolidated Financial Statements at 31 December 2017, operating profitability will be calculated as EBITDA. The figures in the Consolidated Financial Statements at 31 December 2016 that show a figure for gross operating profit have been restated to reflect this change. The difference between EBITDA and gross operating profit is that the latter does not include Provisions for doubtful receivables and other provisions.

Consolidated Statement of Cash Flows

(€ '000)

| notes | 2017 | 2016 restated * |
|---|-----------------|-----------------|
| Net cash at beginning of the year from continuing operations | 20,904 | 54,415 |
| Net cash at beginning of the year from assets held for sale | 1,214 | 1,677 |
| Cash flow from operating activities | | |
| 15 Net cash from operating activities | 39,734 | (23,878) |
| 49 <i>of which from related parties</i> | (45,102) | (48,535) |
| 29 Interest paid | (726) | (1,149) |
| 29 Interest received | 259 | 95 |
| Income taxes paid | (2,492) | (126) |
| Total from continuing operations | 36,775 | (25,058) |
| Total from assets held for sale | (1,214) | (463) |
| Cash flow from investing activities | | |
| 4 Investments in tangible assets | (3,816) | (3,004) |
| 4 Write-downs of tangible assets | - | 107 |
| 7 Investments in intangible assets | (500) | (2,501) |
| Investments in Subsidiary | 2,750 | - |
| 2 Investments in joint ventures | 2,254 | 2,939 |
| 9 Other investments | (32) | - |
| Total from continuing operations | 656 | (2,459) |
| Total from assets held for sale | - | - |
| Cash flow from financing activities | | |
| 16 Equity | 283 | (318) |
| 17-18-29 Non-current financial liabilities | (10,605) | 2,985 |
| 14 Current financial assets | (187) | (2,622) |
| 22-25-29 Current financial liabilities | (30,177) | (6,418) |
| 49 <i>of which from related parties</i> | (2,653) | (17,153) |
| Total from continuing operations | (40,686) | (6,373) |
| Total from assets held for sale | - | - |
| 16 Total translation differences | 273 | (1,298) |
| Net cash for the year from continuing operations | (3,255) | (33,890) |
| Net cash for the year from assets held for sale | (1,214) | (463) |
| Net cash at the end of the year from assets held for sale | - | 1,214 |
| Net cash at the end of the year from continuing operations | 17,922 | 20,904 |

* Some figures in the Consolidated Statements of Cash Flow at 31 December 2016 have been restated for comparative purposes to reflect the accounting under IAS 7.

| | 2017 | 2016 restated * |
|---|---------------|-----------------|
| Cash generated from operating activities | | |
| Result of continuing operations | 1,738 | (18,674) |
| <i>Adjustments for:</i> | | |
| Profit from equity accounted investments | (2,603) | (1,259) |
| Depreciation and Amortisation | 6,834 | 8,398 |
| Provisions, write-downs and impairment | 7,672 | 16,936 |
| Capital gain and losses | 200 | - |
| Net change in employee provisions | 137 | (1,907) |
| Changes in deferred taxes | 2,390 | (2,561) |
| Inventories | 1,912 | (3,688) |
| Trade and other receivables | 6,819 | 11,262 |
| Trade payables | 7,323 | (10,136) |
| Pre-payments | 2,818 | 5,354 |
| Tax payables | 2,897 | (3,512) |
| Provisions for risks and charges and other liabilities (excluding payables to Organisers) | (3,550) | (12,883) |
| Payables to Organisers | 5,147 | (11,208) |
| Total | 39,734 | (23,878) |

* Some figures in the Consolidated Statements of Cash Flow at 31 December 2016 have been restated for comparative purposes to reflect the accounting under IAS 7.

Consolidated Statement of Changes in Equity

(€ '000)

| note 16 | Share capital | Share premium reserve | Other reserves | Retained earnings | Profit/(loss) for the period | Total Group equity | Capital and reserves attributable to non-controlling interests | Profit/(loss) for the financial year attributable to non-controlling interests | Total non-controlling interests | Total equity |
|---|---------------|-----------------------|----------------|-------------------|------------------------------|--------------------|--|--|---------------------------------|---------------|
| Balance at 31 December 2015 | 41,818 | 65,679 | (6,936) | (17,003) | 1,014 | 84,572 | 1,281 | (585) | 696 | 85,268 |
| Allocation of earnings at 31.12.15: | - | - | - | 1,014 | (1,014) | - | (585) | 585 | - | - |
| <i>use of reserves</i> | - | (29,657) | 8,489 | 21,168 | - | - | - | - | - | - |
| <i>dividend distribution</i> | - | - | - | - | - | - | (26) | - | (26) | (26) |
| Expenses related to the share capital increase | - | (63) | - | - | - | (63) | - | - | - | (63) |
| Treasury shares | (173) | (291) | - | - | - | (464) | - | - | - | (464) |
| Capital contributions | - | - | - | 3 | - | 3 | 147 | - | 147 | 150 |
| Acquisition of 51% of La fabbrica del Libro SpA | - | - | - | - | - | - | 59 | - | 59 | 59 |
| Remeasurement of defined benefit plans | - | - | - | (409) | - | (409) | - | - | - | (409) |
| Total comprehensive income for the financial year | - | - | 161 | - | (22,794) | (22,633) | (147) | (56) | (203) | (22,836) |
| Balance at 31 December 2016 | 41,645 | 35,668 | 1,714 | 4,773 | (22,794) | 61,006 | 729 | (56) | 673 | 61,679 |
| Allocation of earnings at 31.12.16: | - | - | - | (22,794) | 22,794 | - | (56) | 56 | - | - |
| <i>use of reserves</i> | - | (25,314) | 1,508 | 23,806 | - | - | - | - | - | - |
| <i>dividend distribution</i> | - | - | - | - | - | - | - | - | - | - |
| Expenses related to the share capital increase | - | (55) | - | - | - | (55) | - | - | - | (55) |
| Capital contribution to La Fabbrica del Libro SpA | - | - | - | - | - | - | 339 | - | 339 | 339 |
| Sales of shares Worldex Ltd | - | - | - | - | - | - | (548) | - | (548) | (548) |
| Remeasurement of defined benefit plans | - | - | - | 46 | - | 46 | - | - | - | 46 |
| Total comprehensive income for the financial year | - | - | (163) | - | 1,637 | 1,474 | (1) | 101 | 100 | 1,574 |
| Balance at 31 December 2017 | 41,645 | 10,299 | 3,059 | 5,831 | 1,637 | 62,471 | 463 | 101 | 564 | 63,035 |

Explanatory and Supplementary Notes to the Consolidated Financial Statements

On 12 March 2018, Board of Directors approved the Fiera Milano Group Consolidated Financial Statements at 31 December 2017 and authorised their publication.

The Fiera Milano Group is active in all the characteristic areas of the exhibition and congress industry and is one of the largest integrated exhibition companies worldwide.

The Group business consists of hosting exhibitions, fairs and other events, promoting and making available equipped exhibition spaces, as well as offering support for projects and related services. This includes the business of staging exhibitions (and providing final services to exhibitors and visitors).

The business of the Group has dual seasonality: (i) a higher concentration of exhibitions in the six months from January to June; (ii) exhibitions that have a multiannual frequency.

Greater detail on Group structure is provided in the relevant section of the Directors' Management Report on Operations.

1) Accounting standards and consolidation criteria

1.1 Standards Used To Prepare The Consolidated Financial Statements

The Consolidated Financial Statements were prepared in accordance with IAS and IFRS accounting standards in force at 31 December 2017, issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and the relative interpretative documents and provisions of Article 9 of Legislative Decree no. 38/2005.

The accounting standards used to prepare the present Financial Statements are the same as those used to prepare the Financial Statements at 31 December 2016, except for those applicable from 1 January 2017 that are given below.

Given the capital and financial position in the 2017 financial year, the financial forecasts in the budget and in the 2018-2021 Industrial Plan, approved by the Board of Directors on 15 December 2017 and 19 February 2018, the forecasts for working capital requirements and for the financial and capital position of the Group, the Financial Statements and Consolidated Financial Statements have been prepared on the principles of a going concern.

The Financial Statements are prepared in Euros and all figures are rounded to the nearest thousand Euros unless otherwise indicated. The Financial Statements give comparative data for the previous financial year; it should be noted that some numbers from the previous financial year have been restated to make the numbers comparable.

In the 2017 financial year, no atypical and/or unusual transactions took place.

The risks and uncertainties affecting the Group business are described in the Board of Directors' Management Report in the section on Risk factors affecting Fiera Milano Group, in Note 30, and in paragraph 1.6 on The Use of Estimates in the Explanatory and Supplementary Notes to the Consolidated Financial Statements.

The present Financial Statements have been audited by the independent audit firm EY SpA.

1.2 New accounting standards, interpretations and amendments adopted

The Group has adopted for the first time some accounting standards and amendments that are applicable to financial periods beginning on or after 1 January 2017.

The contents and effect of each new accounting standard and amendment is given below:

- Amendment to IAS 7 – *Statement of Cash Flows*

The amendments to IAS 7 are part of the wider Disclosure Initiative project. Paragraph 44A was added to the standard. This requires an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from financing cash flows and changes in financial assets. Entities are not required to provide comparative information.

The new disclosure requirement in paragraph 44A is provided by a statement of reconciliation between the opening and closing balances of liabilities arising from financing activities in the statement of financial position.

- Amendment to IAS 12 – *Income taxes*

The amendments regard the recognition and measurement of deferred tax assets (DTAs). Under the amendment:

- DTAs must be recognised for the deductible temporary difference between the fair value and tax base on fixed rate debt instruments that are not deemed to be impaired (applicable to Available for Sale instruments);
- deductible temporary differences must be compared to future taxable profits of the same type.

The amendments to the IAS/IFRS above had no significant effect on the Financial Statements at 31 December 2017.

The following amendments to the accounting standards were approved by the European Union during 2017 but are not applicable to the 2017 Financial Statements:

- IFRS 9 – *Financial Instruments*

In July 2014, the IASB published the final version of IFRS 9 – *Financial Instruments* that replaces IAS 39 – *Financial Instruments: Recognition and Measurement* and supersedes all previous versions of IFRS 9. IFRS 9 brings together all the requirements for recognition and measurement, impairment and general hedge accounting of financial instruments. IFRS 9 is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted. With the exception of hedge accounting, the standard must be applied retrospectively although entities are not required to provide comparative information. Hedge effectiveness testing is prospective with some limited exceptions.

The Group will adopt the new standard for the 2018 financial year. In 2017, the Group carried out a preliminary analysis of the potential impact of all three aspects of IFRS 9. This preliminary analysis was based on information that was currently available and could be subject to change under more detailed analysis or as a result of data that may become available to the Group in 2018 when it adopts IFRS 9. However, the Group does not believe that adoption of this IFRS will have a significant effect on its Financial Statements.

On 12 September 2016, the IASB issued an amendment to IFRS 4 – *Insurance Contracts* that is linked to the application of IFRS 9.

- IFRS 15 – *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and introduced a five-step model to be applied to all revenues from contracts with customers. IFRS 15 specifies how and when revenue will be recognised for the amount to which the company expects to be entitled on the transfer of control of goods or services.

The new standard replaces all requirements on revenue recognition in other IFRSs. It is effective for financial periods beginning on or after 1 January 2018 and the Group will apply this standard from this date and use the full retrospective approach.

In 2017, the Group carried out a detailed analysis to identify and quantify the impact of the new accounting standard on revenue recognition. Given the portfolio composition and existing contracts at 31 December 2017, there could be significant potential effects on catering service and insurance service revenues that must be shown net of any attributable costs, resulting in a reduction of Euro 14.978 million in these revenues but with no impact on the EBITDA or net result for the period. There is no effect on the opening balance of equity at 1 January 2017 as these changes constitute a reclassification within the income statement.

- IFRS 16 – *Leases*

On 13 January 2016, the IASB published the new accounting standard IFRS 16 – *Leases* that replaces IAS 17 - *Leases*, 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 is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted as long as IFRS 15 – *Revenue from Contracts with Customers* has already been applied or will be applied on the same date that IFRS 16 is applied.

The current recognition of leases under IAS 17 has long been considered inadequate to satisfy the requirements of users of financial statements, in particular due to the lack of recognition of assets and liabilities deriving from these contracts. IFRS 16 introduces a single lessee accounting model that eliminates the distinction between operating leases and finance leases for a lessee. Therefore, all leases, with the exception of leases of low value assets and short-term leases must be accounted for on a single on-balance sheet model as the right of use for an asset and with a corresponding financial liability for the lease payments. Lessor accounting is substantially unchanged from today's accounting under IAS 17.

As part of its activities, Fiera Milano Group uses exhibition sites and warehouses leased from the controlling shareholder Fondazione Fiera Milano and other third-parties. Given the material value of these contracts on the financial figures of the Financial Statements, the Company carried out a preliminary analysis on the impact of the application of the new accounting standard. This analysis showed there was a material impact on the recognition of non-current assets and on non-current financial debt. In 2018, the Group will continue to study the potential impact of IFRS 16 on the Consolidated Financial Statements.

- *Annual Improvements to IFRS Standards 2014-2016 Cycle*

This document, approved on 7 February 2018, introduced some minor amendments to IFRS 1 – *First-time Adoption of International Financial Reporting Standards*, IFRS 12 – *Disclosure of Interests in Other Entities* and IAS 28 – *Investments in Associates and Joint Ventures* and an interpretation of IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*. Among the main improvements, the interpretation of IFRIC 22, which has yet to be approved, clarified the date to be used for translation when a foreign currency transaction involves an advance payment or receipt.

- Amendments to IFRS 2 – *Share-based Payment*

The amendments, issued on 20 June 2016, clarify the classification and measurement of share-based payment transactions. The amendments are effective from 1 January 2018 but early application is permitted.

The following accounting standards and amendments have still to be approved by the European Union and are not applicable to the 2017 Financial Statements:

- IFRIC Interpretation 22 – *Foreign Currency Transactions and Advance Consideration*

The interpretation was issued on 8 December 2016 and clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) of a non-monetary asset or a non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration.

The interpretation clarifies that the transaction date is the earlier of:

- the date on which the advance foreign currency consideration or part of it is recognised by the entity;
- and the date on which the related asset, expense or income (or part of it) is recognised (and the advance consideration is received/paid).

For multiple advance payments or receipts, each separate advance payment or receipt gives rise to a transaction date.

- Amendment to IAS 40 – *Transfers of Investment Property*

The amendment, issued on 8 December 2016, clarifies when an entity should transfer property into or out of investment property. The amendment is applicable for financial periods beginning on or after 1 January 2018. Early application is permitted.

- IFRIC Interpretation 23 - *Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of recognition and measurement requirements under IAS 12 – *Income Taxes*. The interpretation does not apply to taxes or levies outside the scope of IAS 12 nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation is applicable for financial periods beginning on or after 1 January 2019 and provides a choice of two transition approaches. The Group will apply the interpretation from the applicable date.

1.3 Form and content of the Consolidated Financial Statements

With regard to the form and content of the Consolidated Financial Statements, the Group has made the following choices:

- the Consolidated Statement of Financial Position is presented with separate sections for Assets, Liabilities, and Equity. Assets and liabilities are also classified as current, non-current, and held for sale;
- the Consolidated Statement of Comprehensive Income is shown as a single statement in a continuous format and items are analysed by nature since this approach provides reliable information that is more relevant than classification by function. Starting with the Consolidated Financial Statements at 31 December 2017, the Group has chosen to use EBITDA to measure

operating profitability. The Financial Statements at 31 December 2016, which used gross operating profit as the intermediary profit level, have been restated to reflect the different classification. The difference between EBITDA and gross operating profit is that the entry, provisions for doubtful receivables and other provisions, is not included in gross operating profit;

- the Consolidated Statement of Cash Flows is presented using the indirect method;
- the Consolidated Statement of Changes in Equity is presented with separate entries for comprehensive income and transactions with shareholders.

1.4 Area and principles of consolidation

The present Consolidated Financial Statements include the Parent Company Fiera Milano SpA and its subsidiary companies, as well as companies under joint control.

The Consolidated Financial Statements are based on financial statements as at 31 December 2017 approved by the boards of directors of the companies included in the area of consolidation and prepared according to Group accounting policies and IAS/IFRS.

The list of companies included in the area of consolidation at 31 December 2017 is given in Attachment 1 to this document.

Subsidiaries

Subsidiaries are consolidated from the date when control is effectively transferred to the Group and cease to be consolidated on the date when control is transferred to third parties.

The carrying value of consolidated investments is eliminated against the corresponding portion of equity at the acquisition date, against the assumption of the liabilities and assets shown in the respective financial statements of the subsidiaries on a line-by-line basis. Acquisitions of subsidiaries are recognised using the purchase method, as required by IFRS 3 – *Business Combinations* revised in 2008.

The non-controlling interests in the capital and reserves of subsidiaries are recognised in equity under non-controlling interests. Similarly, the portion of the Consolidated Income Statement attributable to non-controlling interests is shown under profit or loss attributable to non-controlling interests.

Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group recognises its interest in a joint venture as an investment and accounts for it using the equity method under IAS 28 - *Investments in Associates and Joint Ventures*.

In the transition from proportionate consolidation to the equity method the interest in the joint venture is shown at the start of the period presented. Initial recognition as an investment must aggregate the carrying amounts of the assets and liabilities that the entity had previously proportionately consolidated, including any goodwill arising on acquisition. If the goodwill previously belonged to a larger cash-generating unit, or group of cash-generating units, the entity must allocate goodwill to the joint venture according to the carrying values of the joint venture in the cash-generating unit, or group of cash-generating units, to which it belongs.

Intercompany transactions

Profits and losses not yet realised that stem from transactions between consolidated companies are eliminated, as are all payables and receivables, costs and revenues, unrealised gains and losses and all other transactions between consolidated companies.

Translation of financial statements in foreign currencies

At the end of the reporting period, the assets and liabilities of consolidated companies with an accounting currency that is not the Euro are translated into the presentation currency of the Group's consolidated accounts at the exchange rate in force on that date. Income Statement items are translated at the average exchange rate for the year and differences arising from the adjustment of opening equity to year-end exchange rates, as well as differences stemming from the different methodology used for the translation of the results for the financial year, are shown in the entry, other items, of the Statement of Comprehensive Income and aggregated in a specific equity reserve.

The exchange rates used for the translation into Euros of the 2017 and 2016 financial statements of foreign companies were the following:

| | average 2017 | average 2016 | 31/12/17 | 31/12/16 |
|--------------------|--------------|--------------|----------|----------|
| South African rand | 15.0434 | 16.2645 | 14.8054 | 14.457 |
| Brazilian reals | 3.6041 | 3.8561 | 3.9729 | 3.4305 |
| Russian rouble | 65.8877 | 74.1446 | 69.392 | 64.3 |
| Indian rupee | 73.498 | 74.3717 | 76.6055 | 71.5935 |
| Yuan renminbi | 7.3522 | 7.3522 | 7.3202 | 7.3202 |

Source: Banca d'Italia

1.5 Summary of accounting standards and valuation criteria

Business combinations

Business combinations are accounted by applying the purchase method in accordance with IFRS 3 – *Business Combinations* revised in 2008. Under this method, the transaction cost of a business combination is valued at fair value, determined as the aggregate of the fair value of the assets transferred and the liabilities assumed by the Group at the acquisition date and equity instruments issued for control of the acquired entity. All other costs associated with the transaction are expensed in the Statement of Comprehensive Income at their acquisition date value.

Contingent considerations, considered part of the acquisition consideration, must be measured at fair value at the time of the business combination. Subsequent changes in fair value are recognised in the Statement of Comprehensive Income.

The identifiable assets acquired and the liabilities assumed are measured at fair value at the acquisition date.

Goodwill is measured as the difference between the aggregate of the acquisition-date fair value of the consideration transferred for the business combination, the amount of any non-controlling interest and the acquisition date fair value of any previously held equity interest in the acquiree and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference between the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the consideration transferred for the business combination, the amount of any non-controlling interest and the acquisition-date fair value of any previously held equity interest in the acquiree, the excess sum is immediately recognised in the Statement of Comprehensive Income as income from the transaction.

The non-controlling interest in equity at the acquisition date may be valued at fair value or the non-controlling interest's proportionate share of the identifiable net assets of the acquiree. The measurement method is carried out transaction by transaction.

In measuring the fair value of business combinations, the Group uses available information and, for more material business combinations, also uses the support of external valuations.

Business combinations transacted prior to 1 January 2010 are recognised using the previous version of IFRS 3.

Business combinations achieved in stages

When a business combination is achieved in stages (step acquisition), the previously held share of the entity's assets and liabilities are measured at fair value at the date that control is obtained and any resulting adjustments are recognised in profit or loss. Previously held investments are therefore recognised as though they had been sold and reacquired at the date that control is obtained.

Puttable instruments

The concession of put options to non-controlling shareholders gives the latter the right to request that the Group redeem the shares they hold at a future date. IAS 32 – *Financial Instruments: Presentation*, paragraph 23, establishes that a contractual right to receive cash or another financial asset from the entity constitutes a financial liability for the actual value of the exercise price of the put. Therefore, where the entity does not have the unconditional right to avoid delivering cash or another financial instrument when the put option on shares of the subsidiaries is exercised, it must recognise the financial liability. The financial liability is initially recognised at fair value corresponding to the current value of the amount to be reimbursed based on the best information available and changes in the fair value between one financial period and another are recognised in profit or loss under financial income/ expenses.

This liability is recognised in non-controlling interests or in Group equity depending on whether the risks or benefits associated with ownership of the shares underlying the options have been transferred.

Transactions involving non-controlling interests

Partial disposal of an investment where control is retained is accounted for as an equity transaction. For acquisitions of additional investments in a subsidiary, any gain or loss between the acquisition consideration and the related share of equity is accounted for as an equity transaction with owners as is the partial disposal of an investment in a subsidiary where control is retained.

In cases where the partial disposal of an investment in a subsidiary results in loss of control, the residual holding is remeasured at fair value and any difference between fair value and the carrying amount is a gain or a loss and is recognised in profit or loss.

Tangible fixed assets

Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost, including contingent costs and costs incurred, and adjusted for accumulated depreciation.

Tangible assets are depreciated in each accounting period on a straight-line basis, using economic/technical rates determined by the residual life of the assets.

Routine maintenance costs are charged to profit or loss when they are incurred.

The replacement costs of identifiable components of complex assets are allocated to the assets and depreciated over their useful lives. The residual carrying amount of the component being replaced is recognised in profit or loss.

Improvements to third party assets are recognised in property, plant and equipment based on the nature of the cost incurred; the depreciation period corresponds to the lesser of the residual useful life of the tangible asset and the residual period of the rental contract.

The depreciation rates applied are listed below:

| | |
|--------------------------------------|-------|
| - Office furniture and machinery | 12% |
| - Exhibition furniture and equipment | 27% |
| - Catering equipment | 25% |
| - Metal components to be hired out | 13.5% |
| - Sundry machinery and equipment | 15% |
| - Motor vehicles | 25% |
| - Site motor vehicles | 20% |
| - Electronic equipment | 20% |
| - Plant and machinery | 10% |
| - Telecommunication systems | 20% |
| - Alarm systems | 30% |
| - Furnishings | 12% |

If there is any indication of impairment, the tangible assets are subjected to an impairment test as described in the section on impairment of assets.

Intangible fixed assets

An intangible asset is recognised only if it is identifiable, is controlled by the entity, is expected to generate future economic benefits, and if its cost can be reliably measured.

Goodwill and intangible assets with an indefinite useful life

Goodwill arising from business combinations is initially recognised at cost on the acquisition date, as indicated in the section above on Business Combinations, and, for purposes of the impairment test, allocated to a cash-generating unit or group of cash-generating units that benefit from the synergies generated by the acquisition that gave rise to the goodwill. After initial recognition, Goodwill is measured at cost less any impairment stemming from the impairment tests (see the section on Impairment of Assets). An intangible asset is considered to have an indefinite useful life when no limit can be foreseen to the period during which the asset can generate financial inflows for the Group. Intangible assets with an indefinite useful life and goodwill are not subject to amortisation.

Intangible assets with a finite useful life

Intangible assets with a finite useful life are measured at purchase or production cost, including any contingent costs, and systematically amortised on a straight-line basis over their estimated useful life. If there is any indication of impairment, the intangible assets are subject to an impairment test as described in the section on impairment of assets.

Since the last quarter of 2008, trademarks of exhibitions (i.e. exhibitor lists, visitor lists, and the actual trademark of the exhibition) and of publishing titles have been reclassified from goodwill and intangible assets with an indefinite life to intangible assets with a finite life. The initial choice was based on the consideration that the businesses underlying these assets, i.e. exhibitions and specialist publications, do not lend themselves to a precise evaluation of their duration. In essence, at the time of the initial choice, no factors of a general economic, regulatory or legal nature or factors specific to the entity or to the sector in which it is active emerged such as to set a foreseeable limit on the period during which the asset was expected to generate net cash inflows.

However, general trends in national and international markets, together with the internal competitive dynamics of the reference sectors for exhibitions and specialist publications, led to a reconsideration of these initial assumptions. After comparing the practices of the main Italian and foreign competitors, it was concluded that an estimated finite useful life of 20 years was appropriate in most cases, both for exhibitions and publications.

Where an estimate of the reference time horizon for certain intangible assets was shown to be more uncertain, the useful life was set at 10 years.

The amortisation rates applied are given below:

- Exhibition trademarks 5% or 10%
- Other trademarks and publications 5% or 10%

Industrial patents, intellectual property rights, licences and concession agreements are amortised over three to ten years from the year they were acquired.

Research costs are recognised at the time they are incurred. In compliance with IAS 38 – *Intangible Assets*, development costs relating to specific projects, including the launch of new exhibitions, are capitalised when it is probable that the project will be completed and generate future economic benefits and when such costs can be reliably measured. Their cost is amortised from the point when the asset is ready for use on a straight line basis over its useful life. The carrying value of costs is reviewed annually at the end of the reporting period or more often if there are any particular reasons for doing so to analyse the fair value and ascertain the existence of any impairment.

Impairment of assets

Goodwill and other intangible assets with an indefinite life are tested for impairment at least annually at the end of the reporting period or more often if there are any indications that an asset has been impaired.

Tangible and intangible assets with a definite useful life that are depreciated or amortised are tested for impairment only when there is an indication of impairment.

The recoverable amount of the asset is the higher of its fair value less costs of disposal and its value in use. The fair value is the price that would be received from the sale of an asset in an orderly transaction between independent, informed, and willing parties, less the costs of disposal. In the absence of binding agreements, it is necessary to use the prices expressed by an active market, or the best information available taking into account factors such as recent transactions for similar assets completed in the same business segment. The value in use is the present value, discounted at the weighted average cost of capital of an entity with a similar risk profile and level of indebtedness, of the cash flows expected to arise from the asset (or from a group of assets – a cash-generating unit) and from its sale at the end of its useful life.

If subsequently there is an indication that an impairment loss, other than for goodwill, may have decreased or no longer exists, the carrying value of the asset is adjusted to the new estimate of the recoverable value although this value may not exceed the value that would have been measured if there had been no impairment. Reversal of impairment is recognised in profit or loss.

Leased assets

There are two types of leases: finance leases and operating leases.

A lease is considered a finance lease when it transfers a significant and substantial part of the risks and rewards associated with the ownership of the asset to the lessee.

Given this, under IAS 17 – *Leases*, a leasing contract is considered a finance lease when the following factors are separately or jointly present:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain the option will be exercised;
- the lease term covers most of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of minimum lease payments amounts substantially to the fair value of the leased asset;
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Assets available to Group companies under leasing contracts that can be considered finance leases are recognised as tangible or intangible assets at the lower of their value at the date acquired or the net current value of the minimum charges under the contract amortised over their estimated useful life; the corresponding liability to the lessor is recognised in equity as a current or non-current financial liability depending on whether the contract expires within or beyond twelve months.

Lease payments are subdivided into principal, which is recognised in financial liabilities, and interest, which is recognised in profit or loss under financial expenses.

Charges for operating leases are recognised in profit or loss *pro-rata temporis* for the duration of the contract.

Financial assets

In accordance with the requirements of IAS 39 – *Financial Instruments: Recognition and Measurement* and IAS 32 – *Financial Instruments: Presentation*, financial assets are classified under the following four categories:

1. Financial assets at fair value through profit or loss;
2. Held-to-maturity (HTM) investments;
3. Loans and receivables;
4. Available-for-sale (AFS) financial assets.

Classification depends on the purpose for which assets are purchased and held. Management decides on their initial classification at the time of their initial recognition in the accounts, subsequently checking this classification at the end of each reporting period.

Financial assets are initially recognised at cost, which is equal to fair value plus contingent transaction costs. Subsequent measurement depends on the type of instrument concerned.

Financial assets at fair value recognised in the Income Statement, which include held-for-trading (HFT) financial assets and financial assets designated as such at the time of initial recognition, are classified among current financial assets and measured at fair value, with the gains or losses stemming from this valuation recognised in profit or loss. Gains and losses from any changes in the fair value are recognised in profit or loss.

Held-to-maturity investments are classified under current financial assets if they mature in less than 12 months and among non-current financial assets if maturity exceeds that period, and are subsequently valued at amortised cost. The latter is calculated using the effective interest method, taking into account any purchase discounts or premiums and spreading them over the entire period up to maturity, less any impairment.

Loans and receivables are valued at amortised cost using the effective interest method. At the end of each reporting period, the companies belonging to the Group measure the realisable value of these receivables taking account of estimated future cash payments or receipts through their expected life.

Available-for-sale financial assets are recognised as non-current assets, unless they are to be divested within twelve months of the end of the reporting period, and are measured at fair value. Losses or gains on available-for-sale financial assets are recognised in other comprehensive income and aggregated in a specific equity reserve, until they are sold, recovered or otherwise derecognised. When there is an indication of impairment in an available-for-sale financial asset and there is objective evidence of this, the cumulative gain or loss that was recognised in other comprehensive income is reclassified from equity to profit or loss for the period as a reclassification adjustment even if the financial asset has not been derecognised.

Investments

In compliance with the requirements of IAS 39 – *Financial Instruments: Recognition and Measurement* and IAS 32 – *Financial Instruments: Presentation*, investments in companies other than subsidiaries and associates are classified as available-for-sale (AFS) and are measured at fair value except for when fair value cannot be determined; in such cases, the cost method is used. Gains and losses stemming from adjustments of value are recognised in other comprehensive income in a specific equity reserve. When there is an indication of impairment in an AFS financial asset and there is objective evidence of this, the cumulative gain or loss that was recognised in other comprehensive income is reclassified from equity to profit or loss for the period as a reclassification adjustment even if the financial asset has not been derecognised.

Investments in associates are valued using the equity method with a separate entry in the Statement of Comprehensive Income for the share of the Group in the results of the companies over which it exercises significant influence.

Inventories

Inventories are valued at the lower of purchase or production cost, including contingent costs, calculated using the FIFO method, and the presumable net realisable value based on market trends. Group inventories consist mainly of deferred expenses relating to activities in future financial periods and consumables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank demand deposits and cash investments with an original maturity of not more than three months. The definition of cash and cash equivalents in the Consolidated Statement of Cash Flows is the same as that of the Consolidated Statement of Financial Position.

Assets and liabilities held for sale

This category includes assets and liabilities or assets and liabilities in a disposal group (discontinued operations) where the carrying value will be recovered primarily through a sale rather than through continued use.

For this to happen, the following conditions must be met:

- the assets (or disposal groups) must be available for immediate sale in their present condition;
- the sale must be highly probable, i.e. the company must be committed to a programme for their disposal; activities to identify a buyer must have been initiated; and completion of the sale must be scheduled to take place within one year of the date of classification in this category.

Assets held for sale are measured at the lower of their net carrying value and their fair value less costs to sell.

If an asset that is depreciated or amortised is reclassified to this category, the depreciation or amortisation process is discontinued at the time of reclassification.

In compliance with IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*, figures for discontinued operations are presented as follows:

- in two specific statement of financial position accounts: held-for-sale assets and held-for-sale liabilities;
- in a specific entry in the Consolidated Statement of Comprehensive Income: net result for the period from discontinued operations.

Equity

Treasury shares

The par value of treasury shares is deducted from share capital and any amount in excess of par value is deducted from the share premium reserve.

Under the relevant IAS/IFRS for the acquisition of treasury shares, the nominal value of the shares is deducted from share capital while the difference between the nominal value and the acquisition value is taken against the share premium reserve. Regarding the sale of treasury shares, the share capital and the share premium reserve are reconstituted by the same amounts that they were reduced when the shares were acquired while any profit/loss from the sale is recognised in equity, under other reserves, with no impact on profit or loss. The shares taken as the reference for the calculation of profit/loss on disposal are selected using the FIFO method.

Costs of capital transactions

Costs directly attributable to capital transactions are recognised as a direct reduction of equity.

Trade payables, tax liabilities, advances and other liabilities

Payables, advances and other liabilities are initially recognised at fair value. After that, they are measured at amortised cost. Payables are derecognised when underlying financial obligations have been discharged.

If they have a due date exceeding twelve months, liabilities are discounted to present value using an interest rate reflecting market assessments of the time value of money and specific risks connected with the liability concerned. Discounted interest is classified in financial expenses.

Derivative instruments

A derivative or any other contract with the following characteristics is classified as a financial instrument and consequently fair-valued at the end of each accounting period: (i) its value changes in response to the change in an interest rate, the price of a financial instrument, a commodity price, a foreign-exchange rate, a price or rates index, creditworthiness, or another pre-established underlying variable; (ii) it requires no net initial investment or, if initial investment is required, one that is smaller than would be required for a contract from which a similar response to changes in market factors would be expected; (iii) it is settled at a future date. The effects of fair-value measurement are recognised in profit or loss as financial income/expense.

Provisions for risks and charges

Provisions for risks and charges are made when the Group must meet a present obligation (legal or constructive) stemming from a past event, the amount of which can be reliably estimated and for settlement of which an outflow of resources is probable. If expectations of resource outflow go beyond the next financial year, the obligation is recognised at its present value through discounting of future cash flows at a rate that also considers the time value of money and the liability's risk.

Risks for which manifestation of a liability is only possible, not probable, are shown in the paragraph, disclosure on guarantees given, undertakings and other contingent liabilities, and no provisions are made for these.

Bank borrowings and other financial liabilities

Financial liabilities are initially recognised at cost as represented by the fair value of the funds received net of related costs incurred to receive the loan. After initial recognition, borrowings are measured according to amortised cost calculated using the effective interest rate. Amortised cost is calculated taking into account issuance costs and any discount or premium envisaged at the time of settlement.

Employee benefits

Employee benefits paid out upon or after cessation of the employment relationship consist mainly of employee severance indemnities [*trattamento di fine rapporto* or TFR], which are governed by Article 2120 of the Italian Civil Code.

In compliance with IAS 19 – *Employee Benefits*, employee severance indemnities are considered a defined benefit plan, i.e. a plan consisting of benefits provided after cessation of employment, which constitutes a future obligation for which the Group assumes actuarial risks and related investments. As required by IAS 19 - *Revised*, the Group uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service costs. This calculation requires the application of objective and mutually compatible actuarial assumptions concerning demographic variables (mortality rate, employee turnover) and financial variables (discount rate, future increases in salary levels). The Fiera Milano Group recognises changes in actuarial gains/losses in other items of comprehensive income. From 1 January 2007, following social security reform, cumulative employee severance indemnities are allocated to pension funds or to the INPS treasury fund, or, in the case of companies with fewer than 50 employees, may remain within the company as in previous years. Employees were given the option until 30 June 2007 to choose the destination of their severance indemnities.

In that regard, the allocation of accumulated employee severance indemnities to pension funds or to INPS means that a portion of these indemnities will be classified as a defined contribution plan in that the company's obligation is solely the payment of contributions either to the pension fund or to INPS. The liability related to past severance indemnities continues to be a defined benefit plan to be measured using actuarial assumptions.

Employee termination benefits not included in the employee severance indemnities (TFR) are recognised as liabilities and employee expenses when the enterprise is demonstrably committed to terminate the employment of an employee or group of employees before the normal retirement date or provides termination benefits as a result of an offer made in order to encourage voluntary redundancy. The benefits owed to employees for termination of their employment do not give any future economic benefits to the enterprise and are therefore recognised immediately as a cost.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the sale of goods or rendering of services will flow to the Group and the relevant amount can be reliably measured. Revenues are recognised at the fair value of the consideration received or receivable, taking into account any trade discounts and quantity-based reductions granted.

Revenue from the sale of goods is recognised when the entity has transferred a significant and substantial part of the risks and rewards associated with the ownership of the asset.

Revenue from the supply of services is recognised when the service is supplied. In compliance with the requirements of IAS 18 – *Revenue*, paragraph 25, revenues for the supply of services relating to exhibitions and congresses are recognised when the exhibitions and congresses actually take place, because it is during the actual exhibition/congress that most of the related costs are borne. When it is probable that the total costs of an exhibition will exceed its total revenues, the expected loss is recognised as a cost in a specific provision.

Operating costs

Costs are recognised when they relate to goods and services sold or used in the financial year or on an accrual accounting basis when their future usefulness cannot be precisely identified.

Personnel expenses include both the fixed and variable remuneration of Directors taking account of the effective period of service.

Costs that are not eligible to be recognised in assets are recognised in profit or loss in the period in which they are incurred.

Other income

This item has a residual nature and includes grants and subsidies.

Financial income and expenses

Financial income and expenses are recognised in the accounts based on timing that considers the effective yield/expense of the asset/liability concerned.

Income tax

For each company, income taxes are recognised according to estimated taxable income in compliance with current tax rates and regulations in the countries where the Group operates. Income taxes are recognised in profit or loss, except for those relating to items recognised outside profit or loss, in which case the tax effect is recognised in equity.

Deferred taxes are measured according to the taxable temporary differences existing between the carrying amounts of assets and liabilities and their tax base and are classified among non-current assets and liabilities.

Deferred tax assets are recognised to the extent that there is likely to be sufficient future taxable income against which the positive balance can be utilised. The carrying amount of deferred tax assets is subject to review at the end of each reporting period.

Deferred tax assets and liabilities are measured according to the tax rates that are expected to be applied in the period when the deferrals materialise, considering the tax rates in force or those that are scheduled to come into force subsequently.

Current and deferred tax assets and liabilities are offset only when they are levied by the same tax authority and when there is a legal right to settle on a net basis.

Note 47 provides further information on the tax consolidation.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at the current exchange rate in force on the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate in force at the end of the reporting period. Foreign exchange differences generated by the extinction of monetary items or their translation at different exchange rates from those at which they were translated at the time of initial recognition in the period or in previous periods are recognised in profit or loss. Exchange rate differences are recognised in financial expenses and income.

Dividends

Dividend income is recognised when the shareholders' right to receive payment has been established. This is normally the date of the Annual General Meeting of shareholders that approves the dividend distribution.

Earnings (losses) per share

Basic earnings (losses) per share are calculated by dividing the Group profit or loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding in the period, excluding treasury shares.

Diluted earnings (losses) per share are calculated by adjusting the weighted average number of shares outstanding to allow for all dilutive potential ordinary shares.

1.6 Use of estimates

Preparation of financial statements and related notes using IFRS requires estimates and assumptions to be made that affect the amounts of assets and liabilities in the Statement of Financial Position and disclosures concerning potential assets and liabilities at the end of the reporting period. Actual results may differ from these estimates. Estimates are used to recognise provisions for doubtful accounts, depreciation and amortisation, employee benefits, taxes, and other provisions and reserves, as well as any impairment. Estimates and assumptions are reviewed regularly and the effects of any change are immediately recognised in profit or loss.

The most important estimates used to prepare the Financial Statements are given below as these involve a significant level of subjective opinion, assumptions and estimates:

- *Goodwill* is tested for impairment at least annually at the end of each reporting period; this test requires an estimate of the value in use of the cash generating unit to which the goodwill has been allocated, which itself is based on an estimate of the cash flows the cash generating unit is expected to generate and discounting them to their net present value using an identified discount rate.

The recoverable amount is measured by comparing the carrying value with the higher of fair value less costs of disposal and value in use. The fair value less costs of disposal is the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under market conditions less costs of disposal. In the absence of binding agreements, prices and other relevant information generated by market transactions, or of the best information available, for recent transactions involving identical or similar assets in the same business sector are used. The value in use is calculated as the net present value of the future cash flows the company expects to derive from the asset (or group of assets – the cash-generating unit) and from its disposal at the end of its useful life discounted at the average weighted cost of capital of an entity with a similar risk and debt profile.

- *Intangible assets with a finite useful life* are tested for impairment when there are internal or external indications that an asset is impaired; this test requires an estimate of the value in use of the cash-generating unit to which the asset belongs, which itself is based on an estimate of the cash flows the cash-generating unit is expected to generate and discounting them to their net present value using an appropriate discount rate.
- *Deferred tax assets* are carried against tax losses carried forward and other taxable temporary differences to the extent that it is probable there will be sufficient future taxable profits available to utilise the tax losses and other taxable temporary differences. Management must use its judgement in estimating the amount of deferred tax assets to be recognised. The Industrial Plan of the Company was used when calculating the amount of deferred tax assets to be recognised.
- *Provisions for risks and costs* are estimated using the best available information at the date of the Financial Statements under review and include estimates based on historic and future data regarding the likely outcome of legal disputes or events where the judgement of the risk profile and the calculation of the likely financial impact are uncertain and complex and could result in an adjustment to estimates.

Reference should be made to the specific paragraph in the notes to the Financial Statements for the use of estimates of financial risk. The valuation of the provision for risks refers to the best information available at the end of the reporting period.

The industrial plans used to carry out the impairment tests are based on certain expectations and assumptions of future performance that by their very nature are subject to uncertainties. Therefore, results could differ from forecasts.

The plan will be continually assessed by the Directors regarding the effective realisation of the initiatives and forecasts and the effects on the financial and economic performance of the Group.

2) Disclosure on subsidiaries, joint ventures and associates

The Group has a 49% shareholding in Hannover Milano Global Germany GmbH, jointly controlled with Deutsche Messe AG. Under IAS 31 – *Interests in joint ventures* (before application of IFRS 11- *Joint arrangements*), the investment in Hannover Milano Global Germany GmbH was classified as a jointly controlled entity and the Group share of assets, liabilities, revenues and expenses were accounted using proportionate consolidation.

In compliance with IFRS 11, the Group believes that its shareholding under the agreement gives it joint control and it is, therefore, a joint venture that must be accounted using the equity method.

Significant business decisions relating to Hannover Milano Global Germany GmbH require the unanimous agreement of the parties and neither party has any specific rights over the individual assets or obligations for any individual liability of the company of the legal entity.

Under the joint venture agreement with Deutsche Messe AG, the Group share of equity is calculated on the results generated by the various exhibitions; this share went from 41.41% in 2016 to 39.47% in 2017.

The share of the Group in the income and equity of the joint venture are summarised in the tables below:

| Hannover Milano Global Germany GmbH | (€'000) | |
|--|---------------|---------------|
| | 2017 | 2016 |
| Current assets | 2,233 | 3,306 |
| Non-current assets | 8,497 | 9,050 |
| Current liabilities | 12,851 | 12,197 |
| Non-current liabilities | - | - |
| Net financial debt/(cash) | (24,438) | (19,853) |
| Equity | 22,317 | 20,012 |
| Book value of the joint venture | 10,250 | 9,442 |

| Hannover Milano Global Germany GmbH | (€'000) | |
|-------------------------------------|---------------|--------------|
| | 2017 | 2016 |
| Total revenues | 43,523 | 33,653 |
| Total operating costs | (30,629) | (24,301) |
| Depreciation and amortisation | (360) | (356) |
| Interest income | 129 | 71 |
| Interest payable | (16) | (2) |
| Profit/(loss) before tax | 12,647 | 9,065 |
| Income tax | (4,239) | (3,537) |
| Profit/(loss) for the year | 8,408 | 5,528 |
| Group profit/(loss) | 3,269 | 2,289 |

At 31 December 2017 and at 31 December 2016, there were no contingent liabilities or material obligations relating to the investment of the Parent Company in the joint venture.

On 16 October 2015, the subsidiary Ipack-Ima SpA and Proma Pack Srl, a company belonging to UCIMA, the association of the Italian manufacturers of processing and packaging machinery, constituted Ipack-Ima Srl.

The company has capital of Euro 20,000 and the two companies hold respectively 49% and 51% of the new company. The Group considers its investment to be a joint venture and has accounted for it using the equity method.

On 1 January 2016, the business division of the Ipack-Ima exhibition of Fiera Milano and that of the Food Pack exhibition of UCIMA were conferred on Ipack-Ima Srl. This partnership will result in the most important Italian exhibition for processing and packaging technology.

The company held no exhibition in 2017 and the next one is scheduled to be held in 2018.

The equity and financial value of the joint venture and the share pertaining to the Group comprises inventories and advances for deferred costs and revenues for exhibitions to be held after 31 December 2017. These are listed in the following table:

| Ipack Ima Srl | (€'000) | |
|--|--------------|--------------|
| | 2017 | 2016 |
| Current assets | 4,282 | 1,468 |
| Non-current assets | 5,747 | 5,989 |
| Current liabilities | 8,253 | 1,402 |
| Non-current liabilities | 500 | 908 |
| Net financial debt/(cash) | (186) | 2,326 |
| Equity | 1,462 | 2,821 |
| Book value of the joint venture | 716 | 1,382 |

| Ipack Ima Srl | (€'000) | |
|-----------------------------------|----------------|----------------|
| | 2017 | 2016 |
| Total revenues | 125 | 331 |
| Total operating costs | (1,576) | (2,691) |
| Depreciation and amortisation | (241) | (333) |
| Interest income | - | - |
| Interest payable | (41) | (45) |
| Profit/(loss) before tax | (1,733) | (2,738) |
| Income tax | 373 | 635 |
| Profit/(loss) for the year | (1,360) | (2,103) |
| Group profit/(loss) | (666) | (1,030) |

Attachment 2 to the Financial Statements of Fiera Milano SpA provides summary financial information on subsidiaries, joint ventures and associates.

3) Segment reporting

In compliance with IFRS 8 – *Operating Segments*, the identification of operating segments and related information is based on the data used by management to take its operating decisions and is consistent with the management and control model used. The internal accounting system, regularly reviewed and used by the top decision makers in the Group, gives information by segment and also by individual company.

The operating segments under the management criteria are as follows:

- **Italian Exhibitions:** this segment covers all activities for the organisation and hosting of exhibitions and other events in Italy through the use, promotion and offer of furnished exhibition spaces, of project support, and of ancillary services. Specifically this segment includes all activities associated with exhibitions (including end services for exhibitors and visitors):
 - that are directly organised by the Group or in partnership with third-parties;
 - organised by third parties, through the hiring out of spaces and services.

These activities are carried out by the Parent Company Fiera Milano SpA, Ipack-Ima Srl and La Fabbrica del Libro SpA.

- **Foreign Exhibitions:** this segment covers all activities for the organisation of exhibitions and other events abroad through the use, promotion and offer of furnished exhibition spaces, of project support, and of ancillary services. Specifically this segment includes all activities associated with exhibitions (including end services for exhibitors and visitors) that are directly organised by the Group or in partnership with third parties.

These activities are carried out by:

- Hannover Milano Global Germany GmbH, a joint venture with Deutsche Messe AG of Hanover, which operates in China through two subsidiaries, Hannover Milano Fairs Shanghai Co Ltd and Hannover Milano Fairs China Ltd, and in India through its 50% shareholding in Hannover Milano Fairs India Pvt Ltd and the latter's investment in Global Fairs & Media Private Ltd;
- Cipa FM Publicações e Eventos Ltda (hereinafter "Cipa FM"), with its registered office in São Paulo; this company is owned through the Brazilian subsidiary, Eurofairs International Consultoria e Participações Ltda (hereinafter "Eurofairs");
- Fiera Milano India Pvt Ltd, with its registered office in New Delhi;
- Limited Liability Company Fiera Milano, with its registered office in Moscow;
- Fiera Milano Exhibitions Africa PTY Ltd (hereinafter "Fiera Milano Africa"), with its registered office in Westlake - Cape Town.
- **Stand-fitting services:** this segment covers stand-fitting services, technical services and all exhibition site services for exhibitions and congresses carried out by Nolostand SpA.
- **Media:** this segment covers the production of content and supply of online and offline publishing services, as well those associated with the organisation of events and congresses by Fiera Milano Media SpA.
- **Congresses:** this segment covers the management of conferences and events and the supply of destination management services by Fiera Milano Congressi SpA and MiCo DMC Srl.

The tables below give Income Statement and Statement of Financial Position figures by segment for the financial years to 31 December 2017 and 31 December 2016.

Income Statement to 31/12/17

(€'000)

| | Italian exhibitions | Foreign exhibitions | Stand-fitting services | Media | Congresses | Adjustments | Consolidated |
|---|---------------------|---------------------|------------------------|----------------|---------------|-----------------|----------------|
| Revenues from sales and services to third-parties | 215,154 | 5,096 | 2,418 | 7,897 | 40,762 | - | 271,327 |
| Revenues from intersegment sales and services | 4,860 | - | 30,612 | 2,944 | 5,549 | (43,965) | |
| Total revenues | 220,014 | 5,096 | 33,030 | 10,841 | 46,311 | (43,965) | 271,327 |
| <i>of which from Italy</i> | | | | | | | 266,231 |
| <i>of which from foreign activities</i> | | | | | | | 5,096 |
| Cost of materials | 1,062 | 53 | 2,032 | 140 | 62 | (121) | 3,228 |
| Cost of services | 122,182 | 5,289 | 26,107 | 6,348 | 34,875 | (46,522) | 148,279 |
| Cost for use of third-party assets | 43,512 | 533 | 2,067 | 232 | 4,104 | (580) | 49,868 |
| Personnel expenses | 35,773 | 1,747 | 4,078 | 3,923 | 4,454 | (1,115) | 48,860 |
| Other operating expenses | 4,141 | 489 | 382 | 55 | 317 | 14 | 5,398 |
| Total operating expenses | 206,670 | 8,111 | 34,666 | 10,698 | 43,812 | (48,324) | 255,633 |
| Other income | 5,431 | 183 | 357 | 394 | 598 | (4,359) | 2,604 |
| Profit/(loss) of equity accounted companies | -666 | 3,269 | | | | | 2,603 |
| Allowance for doubtful accounts and other provisions | 4,806 | 357 | 475 | 128 | 75 | | 5,841 |
| EBITDA | 13,303 | 80 | (1,754) | 409 | 3,022 | - | 15,060 |
| <i>of which from Italy</i> | | | | | | | 15,030 |
| <i>of which from foreign activities</i> | | | | | | | 30 |
| Depreciation of property, plant & equipment | 1,135 | 201 | 1,676 | 21 | 1,262 | | 4,295 |
| Depreciation of property investments | | | | | | | |
| Amortisation of intangible assets | 1,803 | 291 | | 350 | 34 | 61 | 2,539 |
| Adjustments to asset values | 1,534 | 24 | 62 | 1,234 | | | 2,854 |
| EBIT | 8,831 | (436) | (3,492) | (1,196) | 1,726 | (61) | 5,372 |
| <i>of which from Italy</i> | | | | | | | 5,858 |
| <i>of which from foreign activities</i> | | | | | | | (486) |
| Financial income and similar | | | | | | | 429 |
| Financial expenses and similar | | | | | | | 1,203 |
| Valuation of financial assets | | | | | | | |
| Profit/(loss) before income tax | | | | | | | 4,598 |
| Income tax | | | | | | | 2,860 |
| Profit/(loss) from continuing operations | | | | | | | 1,738 |
| Profit/(loss) from discontinued operations | | | | | | | - |
| Profit/(loss) for the year | | | | | | | 1,738 |
| Profit/(loss) attributable to non-controlling interests | | | | | | | 101 |
| Group profit/(loss) | | | | | | | 1,637 |

Statement of Financial Position Data at 31/12/17

(€'000)

| | Investments | Depreciation and amortisation of non-current assets |
|------------------------|--------------|---|
| Italian exhibitions | 1,589 | 2,938 |
| Foreign exhibitions | 129 | 492 |
| Stand-fitting services | 791 | 1,676 |
| Media | 10 | 371 |
| Congresses | 1,873 | 1,296 |
| Adjustments | - | 61 |
| Total | 4,392 | 6,834 |

Income Statement to 31/12/16

(€'000)

| | Italian exhibitions | Foreign exhibitions | Stand-fitting services | Media | Congresses | Adjustments | Consolidated |
|---|---------------------|---------------------|------------------------|----------------|---------------|-----------------|-----------------|
| Revenues from sales and services to third-parties | 169,035 | 6,802 | 6,625 | 9,095 | 29,484 | - | 221,041 |
| Revenues from intersegment sales and services | 4,386 | 28 | 31,670 | 1,956 | 1,188 | (39,228) | |
| Total revenues | 173,421 | 6,830 | 38,295 | 11,051 | 30,672 | (39,228) | 221,041 |
| <i>of which from Italy</i> | | | | | | | 214,239 |
| <i>of which from foreign activities</i> | | | | | | | 6,802 |
| Cost of materials | 504 | 42 | 1,448 | 210 | 86 | (9) | 2,281 |
| Cost of services | 100,761 | 5,837 | 28,244 | 6,543 | 21,363 | (41,325) | 121,423 |
| Cost for use of third-party assets | 43,555 | 473 | 2,031 | 272 | 4,077 | (571) | 49,837 |
| Personnel expenses | 32,286 | 1,577 | 3,887 | 3,966 | 3,551 | (1,166) | 44,101 |
| Other operating expenses | 3,539 | 223 | 173 | 76 | 290 | (79) | 4,222 |
| Total operating expenses | 180,645 | 8,152 | 35,783 | 11,067 | 29,367 | (43,150) | 221,864 |
| Other income | 5,162 | 814 | 521 | 392 | 969 | (4,641) | 3,216 |
| Profit/(loss) of equity accounted companies | (1,030) | 2,289 | | | | | 1,259 |
| Allowance for doubtful accounts and other provisions | 4,786 | 195 | 618 | (257) | 135 | | 5,477 |
| EBITDA | (7,878) | 1,586 | 2,415 | 633 | 2,139 | (719) | (1,825) |
| <i>of which from Italy</i> | | | | | | | (2,954) |
| <i>of which from foreign activities</i> | | | | | | | 1,129 |
| Depreciation of property, plant & equipment | 1,312 | 168 | 1,922 | 31 | 976 | | 4,409 |
| Depreciation of property investments | | | | | | | |
| Amortisation of intangible assets | 2,711 | 568 | | 624 | 30 | 56 | 3,989 |
| Adjustments to asset values | 3,333 | 5,357 | | 4,081 | | | 12,771 |
| EBIT | (15,234) | (4,507) | 493 | (4,103) | 1,133 | (775) | (22,994) |
| <i>of which from Italy</i> | | | | | | | (17,779) |
| <i>of which from foreign activities</i> | | | | | | | (5,215) |
| Financial income and similar | | | | | | | 576 |
| Financial expenses and similar | | | | | | | 1,561 |
| Valuation of financial assets | | | | | | | |
| Profit/(loss) before income tax | | | | | | | (23,979) |
| Income tax | | | | | | | (5,305) |
| Profit/(loss) from continuing operations | | | | | | | (18,674) |
| Profit/(loss) from discontinued operations | | | | | | | (4,176) |
| <i>Revenues</i> | | | | | | | 2,505 |
| <i>Operating expenses</i> | | | | | | | 6,681 |
| Profit/(loss) for the year | | | | | | | (22,850) |
| Profit/(loss) attributable to non-controlling interests | | | | | | | (56) |
| Group profit/(loss) | | | | | | | (22,794) |

Statement of Financial Position Data at 31/12/16

(€'000)

| | Investments | Depreciation and amortisation of non-current assets |
|------------------------|--------------|---|
| Italian exhibitions | 3,925 | 4,023 |
| Foreign exhibitions | 121 | 736 |
| Stand-fitting services | 1,968 | 1,922 |
| Media | 35 | 655 |
| Congresses | 1,338 | 1,006 |
| Adjustments | - | 56 |
| Total | 7,387 | 8,398 |

Notes to the Consolidated Financial Statements

STATEMENT OF FINANCIAL POSITION

ASSETS

NON-CURRENT ASSETS

4) Property, plant and equipment

The breakdown and changes in the last two financial years were as follows:

Property, plant and equipment

(€'000)

| | Balance at 31/12/15 | Changes during the financial year | | | | | | Balance at 31/12/16 |
|---|------------------------|-----------------------------------|-------|-------|-------------------------|--|------------------|------------------------|
| | | Incr. | Decr. | Depr. | Assets held for sale | Currency translation differences | Reclassification | |
| Plant and machinery | | | | | | | | |
| . historic cost | 17,370 | 150 | 19 | - | - | - | - | 17,501 |
| . depreciation | 14,480 | - | 18 | 884 | - | - | - | 15,346 |
| Net | 2,890 | 150 | 1 | 884 | - | - | - | 2,155 |
| Industrial and commercial equipment | | | | | | | | |
| . historic cost | 35,096 | 2,178 | 436 | - | - | - | - | 36,838 |
| . depreciation | 30,927 | - | 424 | 1,977 | - | - | - | 32,480 |
| Net | 4,169 | 2,178 | 12 | 1,977 | - | - | - | 4,358 |
| Other assets | | | | | | | | |
| . historic cost | 56,135 | 1,908 | 284 | - | (41) | 110 | 1 | 57,829 |
| . depreciation | 48,449 | - | 190 | 1,571 | (22) | 25 | - | 49,833 |
| Net | 7,686 | 1,908 | 94 | 1,571 | (19) | 85 | 1 | 7,996 |
| Contracts in progress and pre-payments | | | | | | | | |
| . historic cost | 1 | - | - | - | - | - | (1) | - |
| Net | 1 | - | - | - | - | - | (1) | - |
| Total property, plant and equipment | | | | | | | | |
| . historic cost | 108,602 | 4,236 | 739 | - | (41) | 110 | - | 112,168 |
| . depreciation | 93,856 | - | 632 | 4,432 | (22) | 25 | - | 97,659 |
| Net | 14,746 | 4,236 | 107 | 4,432 | (19) | 85 | - | 14,509 |

Property, plant and equipment

(€'000)

| | Changes during the financial year | | | | | | | Balance at 31/12/17 |
|---|-----------------------------------|-------|-------|-------|------------|----------------------------------|------------------|---------------------|
| | Balance at 31/12/16 | Incr. | Decr. | Depr. | Impairment | Currency translation differences | Reclassification | |
| Plant and machinery | | | | | | | | |
| . historic cost | 17,501 | 964 | - | - | - | - | - | 18,465 |
| . depreciation | 15,346 | - | - | 675 | - | - | - | 16,021 |
| Net | 2,155 | 964 | - | 675 | - | - | - | 2,444 |
| Industrial and commercial equipment | | | | | | | | |
| . historic cost | 36,838 | 1,271 | 491 | - | 271 | - | - | 37,347 |
| . depreciation | 32,480 | - | 407 | 1,852 | 215 | - | - | 33,710 |
| Net | 4,358 | 1,271 | 84 | 1,852 | 56 | - | - | 3,637 |
| Other assets | | | | | | | | |
| . historic cost | 57,829 | 1,581 | 311 | - | 118 | (35) | - | 58,946 |
| . depreciation | 49,833 | - | 195 | 1,791 | 88 | (3) | - | 51,338 |
| Net | 7,996 | 1,581 | 116 | 1,791 | 30 | (32) | - | 7,608 |
| Contracts in progress and pre-payments | | | | | | | | |
| . historic cost | - | 76 | - | - | - | - | - | 76 |
| Net | - | - | - | - | - | - | - | 76 |
| Total property, plant and equipment | | | | | | | | |
| . historic cost | 112,168 | 3,892 | 802 | - | 389 | (35) | - | 114,834 |
| . depreciation | 97,659 | - | 602 | 4,318 | 303 | (3) | - | 101,069 |
| Net | 14,509 | 3,892 | 200 | 4,318 | 86 | (32) | - | 13,765 |

The breakdown and changes were as follows:

Plant and machinery

This entry totalled Euro 2.444 million, net of depreciation in the financial year of Euro 0.675 million, and was mainly for electrical and thermal plant and alarm and audiovisual systems.

The increase of Euro 0.964 million was primarily attributable to investments made by Fiera Milano Congressi SpA for plant and equipment for the MiCo – Congress Centre and by the Parent Company for the Rho exhibition site.

Industrial and commercial equipment

This item was Euro 3.637 million, net of depreciation in the financial year of Euro 1.852 million, and was mainly for equipment and furnishings related to the exhibition business.

The increase of Euro 1.271 million was mainly attributable to the purchase of exhibition equipment and fittings to be hired out during exhibitions.

The decrease of Euro 0.084 million is the residual value of some fittings after the disposal of certain wooden fittings belonging to Nolostand SpA.

The value adjustment of Euro 0.056 million is the writedown of the residual value of assets of Nolostand SpA when assets were found to be no longer in the warehouse following a stocktake. This is the normal consequence of the high levels of movements in exhibition components and is not material given the volume of assets and the number of times these are moved.

Other assets

This item was Euro 7.608 million net of depreciation for the financial year of Euro 1.791 million; Euro 4.755 million was for improvements to the assets of Fondazione Fiera Milano and Euro 2.853 million was for furniture, furnishings, minor equipment, vehicles and electronic equipment.

The breakdown of the Euro 1.581 million increase was as follows:

- Euro 1.221 million attributable to Fiera Milano Congressi SpA mainly for furnishings and electronic equipment for the MoMeC - Montecitorio Meeting Centre in Rome and for the purchase of a server for the company offices, as well as construction work and upgrading of the plant and equipment in the MiCo Nord, MiCo Sud and MoMeC congress areas;
- Euro 0.229 million was attributable to the Parent Company of which Euro 0.108 million for electronic equipment and furnishings and Euro 0.121 million for improvements made to the assets of Fondazione Fiera Milano under existing leasing contracts;
- the remaining Euro 0.131 million was attributable to other companies.

The decrease of Euro 0.116 million was for the residual value of the assets of Nolostand SpA following closure of the area in the Rho exhibition site that it used as a showroom.

Depreciation on improvements to third-party assets is calculated on the residual length of the lease contract for the property.

Fixed assets under construction and advances

This item was Euro 0.076 million and was an advance payment by Nolostand SpA for the project to optimise stock management. On completion, the value of this asset will be reclassified under the appropriate category of fixed assets and it will start to be depreciated.

5) Leased property, plant and equipment

Details of the amounts and changes to various items in the last two financial years are given below:

Leased property, plant and equipment

(€'000)

| | Balance at 31/12/15 | Changes during the financial year | | | | | Balance at 31/12/16 |
|---|------------------------|-----------------------------------|-------|----------------------|--|------------------|------------------------|
| | | Incr. | Decr. | Depr. differences | Currency translation differences | Reclassification | |
| Leased property | | | | | | | |
| . historic cost | 9 | - | - | - | 1 | - | 10 |
| . depreciation | - | - | - | 7 | 1 | - | 8 |
| Net | 9 | - | - | 7 | - | - | 2 |
| Total leased property, plant and equipment | | | | | | | |
| . historic cost | 9 | - | - | - | 1 | - | 10 |
| . depreciation | - | - | - | 7 | 1 | - | 8 |
| Net | 9 | - | - | 7 | - | - | 2 |

Leased property, plant and equipment

(€'000)

| | Balance at 31/12/16 | Changes during the financial year | | | | | Balance at 31/12/17 |
|---|------------------------|-----------------------------------|-------|----------------------|--|------------------|------------------------|
| | | Incr. | Decr. | Depr. differences | Currency translation differences | Reclassification | |
| Leased property | | | | | | | |
| . historic cost | 10 | - | - | - | - | - | 10 |
| . depreciation | 8 | - | - | 2 | - | - | 10 |
| Net | 2 | - | - | 2 | - | - | - |
| Total leased property, plant and equipment | | | | | | | |
| . historic cost | 10 | - | - | - | - | - | 10 |
| . depreciation | 8 | - | - | 2 | - | - | 10 |
| Net | 2 | - | - | 2 | - | - | - |

6) Goodwill

The breakdown and changes in the last two financial years were as follows:

Goodwill (€'000)

| | Balance at 31/12/15 | Changes during the financial year | | | | | Balance at 31/12/16 |
|-----------------|------------------------|-----------------------------------|------------|---|----------------------------|--|------------------------|
| | | Incr. | Impairment | Conferral of the business division to the JV | Assets held for sale | Currency translation differences | |
| Goodwill | | | | | | | |
| . historic cost | 121,542 | - | 823 | (3,084) | (6,844) | 22 | 110,813 |
| . amortisation | 16,597 | - | - | - | - | - | 16,597 |
| Net | 104,945 | - | 823 | (3,084) | (6,844) | 22 | 94,216 |

Goodwill (€'000)

| | Balance at 31/12/16 | Changes during the financial year | | | | Balance at 31/12/17 |
|-----------------|------------------------|-----------------------------------|----------|------------|--|------------------------|
| | | Incr. | Decr. | Impairment | Currency translation differences | |
| Goodwill | | | | | | |
| . historic cost | 110,813 | - | - | - | - | 110,813 |
| . amortisation | 16,597 | - | - | - | - | 16,597 |
| Net | 94,216 | - | - | - | - | 94,216 |

As described in the section on valuation criteria, goodwill is subject to annual impairment tests at the end of each reporting period or more frequently if there are any indications of impairment. Paragraph 1.6 on the use of estimates gives details of the methods used for the impairment tests.

Goodwill is allocated to the different cash-generating units (CGUs) or group of CGUs that gave rise to the goodwill.

To identify “the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets” (IAS 36 – *Impairment of Assets*), each different Group reportable segment was designated a CGU.

In the reportable segment “Exhibitions”, each exhibition constitutes a cash-generating unit.

Each of the two reportable segments “Stand-fitting Services” and “Congresses” is one cash-generating unit that encompasses all the assets of each individual segment.

In the reportable segment “Media” different cash-generating units have been identified that correspond to the various publications, while digital services is another cash-generating unit and all the activities relating to seminars and conventions are a single cash-generating unit (the “Events and Training” CGU).

Lastly, in the reportable segment “Overseas” the situation varies according to whether the Group is active in a country with its own exhibitions.

In order to avoid using arbitrary allocation criteria for the impairment tests, goodwill was allocated based on appropriate groupings that reflect both the strategic vision of the company and how the goodwill was generated.

The goodwill allocations were as follows:

- the Directly Organised Exhibition cash-generating unit: this comprises the cash-generating units of all the exhibitions directly organised by Fiera Milano SpA. The goodwill allocated to this group was Euro 40.223 million for goodwill on the acquisitions of companies that organise exhibitions that were subsequently incorporated in Fiera Milano SpA through various merger transactions.
- the Exhibition cash-generating unit: this comprises the cash-generating units of all the exhibitions of Fiera Milano SpA. The goodwill allocated to this group was Euro 29.921 million of which Euro 29.841 million was the goodwill coming from the contribution of the exhibition entity by Fondazione Fiera Milano to Fiera Milano SpA on 17 December 2001 and Euro 0.080 million was goodwill from the acquisition by the Parent Company of the Information Communication Technology business division from its subsidiary Expopage SpA, which is now Fiera Milano Media SpA.
- the Exhibition Stand-fitting cash-generating unit: the goodwill of Euro 12.581 million from the acquisition of the “standard stand-fitting” business division by Nolostand SpA was allocated to this cash-generating unit.
- the Publishing and Digital Services group of cash-generating units: this includes the cash-generating units of publications and digital services and the goodwill allocated to this group of cash-generating units was Euro 5.947 million.
- the Congress cash-generating unit: the goodwill allocated to this cash-generating unit was Euro 5.544 million of which Euro 5.455 million was goodwill from the acquisition of Fiera Milano Congressi SpA.
- the MiCo DMC cash-generating unit: the goodwill allocated to this cash-generating unit was Euro 0.089 million from the acquisition of MiCo DMC Srl.

The recoverable value of the CGUs to which individual goodwill was attributed is verified by calculating their value in use.

Discounted cash flows are used to test for impairment. These are based on the industrial plan of each Group company as approved by their respective boards of directors. The time horizon considered is four financial years as several important events in the exhibition calendar have a biennial frequency. Cash flow projections beyond the time horizons of the industrial plans are generally made by taking the average gross operating margin of the whole period of the plan and estimating a normalised cash flow with no changes in working capital but including maintenance or replacement expenditure. The terminal value is measured as a perpetuity obtained by calculating the net present value of the average net cash flows of the last four years of the plan with detailed estimates and using a discount rate that differed according to the various reference countries of the cash-generating units. Zero growth in real terms was assumed but an estimate of the medium/long-term inflation rates in the specific geographic areas was used.

The WACC (Weighted Average Cost of Capital) used for the Italian businesses was calculated using: (i) a risk-free rate of 2.09%; (ii) a market risk premium of 6.40%; (iii) a levered beta of 0.94, the average for the sector; (iv) a risk premium that varied according to the different CGUs; (v) a cost of debt of 2.50%; (vi) with average debt equal to 25% of invested capital (the average of the peer companies).

The single elements were determined by using, where possible, publicly available sources. A rate net of taxes was used for cash flows net of taxes.

The WACC of the different CGUs varied according to: (i) the different risk-free rates (the yield on a 10-year government bond in the jurisdiction of the CGU); (ii) the specific risk coefficient to cover the execution risk of the forecast cash flows - the risk factors reflect the differences between historical data and estimated figures and also forecasts for the impact of the business initiatives to be implemented; (iii) the different cost of debt due to the estimated rate of inflation in the jurisdiction of each CGU. A summary of the results is given in the table below:

| CGU | WACC |
|---------------------------------------|-------|
| Exhibitions CGU | 7.32% |
| Directly Organised Exhibitions CGU | 7.32% |
| Exhibition Stand-fitting CGU | 8.07% |
| Publications and Digital Services CGU | 8.82% |
| MiCo DMC CGU | 8.82% |
| Congresses CGU | 7.69% |

There was no indication of impairment of goodwill.

Sensitivity analyses were carried out by varying the WACC (+0.5%) and the forecast operating cash flows (-10%) with a positive outcome for all the CGUs with the exception of the Publications and Digital Services CGU. Using a WACC that was 0.5% higher for this CGU would have given a recoverable value that was Euro 0.568 million lower than the carrying value whilst a 10% lower forecast for operating cash flows gave a recoverable value that was Euro 1.106 million lower than the carrying value.

7) Intangible assets with a finite useful life

The breakdown and changes in the last two financial years were as follows:

Intangible assets with a finite useful life

(€'000)

| | Balance at 31/12/15 | Changes during the financial year | | | | | | Balance at 31/12/16 |
|--|------------------------|-----------------------------------|-------|-------|------------|--|------------------|------------------------|
| | | Incr. | Decr. | Depr. | Impairment | Currency translation differences | Reclassification | |
| Trademarks and publishing titles | | | | | | | | |
| . historic cost | 53,949 | 1,916 | - | | 11,948 | 1,983 | - | 45,900 |
| . amortisation | 27,586 | - | - | 2,039 | | 903 | - | 30,528 |
| Net | 26,363 | 1,916 | - | 2,039 | 11,948 | 1,080 | - | 15,372 |
| Concessions, licenses and similar rights | | | | | | | | |
| . historic cost | 3,525 | 160 | - | - | - | - | - | 3,685 |
| . amortisation | 3,076 | - | - | 287 | - | - | - | 3,363 |
| Net | 449 | 160 | - | 287 | - | - | - | 322 |
| Industrial patents and intellectual property rights | | | | | | | | |
| . historic cost | 37,453 | 1,058 | 878 | | - | 59 | 10 | 37,702 |
| . amortisation | 35,032 | - | 871 | 1,606 | - | 12 | | 35,779 |
| Net | 2,421 | 1,058 | 7 | 1,606 | - | 47 | 10 | 1,923 |
| Non-competition agreements | | | | | | | | |
| . historic cost | 263 | - | - | - | - | 81 | - | 344 |
| . amortisation | 98 | - | - | 57 | - | 46 | - | 201 |
| Net | 165 | - | - | 57 | - | 35 | - | 143 |
| Intangible fixed assets under construction and advances | | | | | | | | |
| . historic cost | 10 | 17 | - | - | - | - | (10) | 17 |
| Net | 10 | 17 | - | - | - | - | (10) | 17 |
| Total intangible assets with a finite useful life | | | | | | | | |
| . historic cost | 95,200 | 3,151 | 878 | - | 11,948 | 2,123 | - | 87,648 |
| . amortisation | 65,792 | - | 871 | 3,989 | - | 961 | - | 69,871 |
| Net | 29,408 | 3,151 | 7 | 3,989 | 11,948 | 1,162 | - | 17,777 |

Intangible assets with a finite useful life

(€'000)

| | Balance at 31/12/16 | Changes during the financial year | | | | | | Balance at 31/12/17 |
|--|------------------------|-----------------------------------|----------|--------------|--------------|--|------------------|------------------------|
| | | Incr. | Decr. | Depr. | Impairment | Currency translation differences | Reclassification | |
| Trademarks and publishing titles | | | | | | | | |
| . historic cost | 45,900 | - | - | - | - | (859) | - | 45,041 |
| . amortisation | 30,528 | - | - | 1,244 | 2,768 | (423) | - | 34,117 |
| Net | 15,372 | - | - | 1,244 | 2,768 | (436) | - | 10,924 |
| Concessions, licenses and similar rights | | | | | | | | |
| . historic cost | 3,685 | 66 | - | - | - | - | - | 3,751 |
| . amortisation | 3,363 | - | - | 199 | - | - | - | 3,562 |
| Net | 322 | 66 | - | 199 | - | - | - | 189 |
| Industrial patents and intellectual property rights | | | | | | | | |
| . historic cost | 37,702 | 421 | - | - | - | (44) | 17 | 38,096 |
| . amortisation | 35,779 | - | - | 1,036 | - | (17) | - | 36,798 |
| Net | 1,923 | 421 | - | 1,036 | - | (27) | 17 | 1,298 |
| Non-competition agreements | | | | | | | | |
| . historic cost | 344 | - | - | - | - | (54) | - | 290 |
| . amortisation | 201 | - | - | 60 | - | (40) | - | 221 |
| Net | 143 | - | - | 60 | - | (14) | - | 69 |
| Intangible fixed assets under construction | | | | | | | | |
| . historic cost | 17 | 13 | - | - | - | - | (17) | 13 |
| Net | 17 | 13 | - | - | - | - | (17) | 13 |
| Total intangible assets with a finite useful life | | | | | | | | |
| . historic cost | 87,648 | 500 | - | - | - | (957) | - | 87,191 |
| . amortisation | 69,871 | - | - | 2,539 | 2,768 | (480) | - | 74,698 |
| Net | 17,777 | 500 | - | 2,539 | 2,768 | (477) | - | 12,493 |

Trademarks and publishing titles

This item totalled Euro 10.924 million with the following breakdown:

- exhibition trademarks:
 - Host: Euro 1.801 million;
 - Mipap Milano Prêt-à-Porter: Euro 1.692 million;
 - Exposec: Euro 1.358 million;
 - Fisp: Euro 1.312 million;
 - Promotion Trade Exhibition: Euro 1.276 million;
 - Transpotec & Logitec: Euro 0.468 million;
 - Festivity: Euro 0.330 million;
 - Miart: Euro 0.125 million;

- BtoBio Expo: Euro 0.083 million;
- Other: Euro 0.027 million;
- other trademarks and publishing titles:
 - Technology publications: Euro 1.259 million;
 - Business International: Euro 0.697 million;
 - Food & Beverage publications: Euro 0.496 million.

Most trademarks are for the directly organised exhibitions of the Group.

Publications are specialist trade publications.

The trademarks and the publications came under Group control through various transactions and corporate mergers that took place over time. Since the last quarter of 2008, following the assessment of the finite useful life of each exhibition and publication, these have been amortised. Previously, they were accounted as assets with an indefinite useful life.

Trademarks to which Fiera Milano SpA attributes a finite useful life were subject to impairment tests using internal and external sources of information under paragraphs 12-14 of IAS 36 – *Impairment of Assets*.

The impairment tests showed the following impairment losses:

- Euro 1.234 million for Business International in Fiera Milano Media SpA due to insufficient forecast cash flows;
- Euro 0.322 million for Bias and Euro 0.754 million for Fluidtrans Compomac in the Parent Company following cancellation of these exhibitions;
- Euro 0.448 million for NF Travel & Technology Event in the Parent Company due to insufficient forecast cash flows.

Exhibition trademarks are amortised over a useful life of 10-20 years. The useful life of each trademark is calculated, assuming for each specific intangible asset that its presence in its reference market is ongoing, the competitive position of the exhibition, and its operating profitability. There were no indications of impairment for the other intangible assets with a finite useful life.

Other changes in this item were as follows:

- Euro 1.244 million of amortisation;
- Euro 0.436 million of negative exchange rate effects.

Concessions, licences and similar rights

This entry was Euro 0.189 million net of amortisation for the year of Euro 0.199 million; the Euro 0.066 million increase was mainly for the purchase by the Parent Company of software licences with time limited rights of use.

Time-limited software licences are amortised over a period of three years.

Industrial patents and intellectual property rights

These totalled Euro 1.298 million net of amortisation for the year of Euro 1.036 million. The total increase of Euro 0.421 million mainly referred to costs associated with the implementation of digital projects and the purchase of licensed software by the Parent Company.

These items are amortised over a period of between three and ten years. The Parent Company information system is amortised over a useful life of three years.

Non-compete agreements

This item was Euro 0.069 million net of depreciation and amortisation for the year of Euro 0.060 million and is attributable to Cipa FM.

Intangible assets under construction

This item was Euro 0.013 million and was for the upgrade to the Parent Company management software. The value of this asset, when completed, will be reclassified in fixed assets and it will start to be amortised.

8) Investments valued using the equity method

This entry was Euro 18.339 million (Euro 18.198 million at 31 December 2016) and included:

- Euro 16.923 million for the 49% shareholding in Hannover Milano Global Germany GmbH;
- Euro 1.416 million for the 49% shareholding in Ipack-Ima Srl.

The changes in these investments are given below:

| | | Changes during the financial year | | | (€'000) |
|------------------------------|---------------------|-----------------------------------|-----------------------|----------------------------------|---------------------|
| | Balance at 31/12/16 | Results | Dividend distribution | Currency translation differences | Balance at 31/12/17 |
| Equity-accounted investments | 18,198 | 2,603 | (2,254) | (208) | 18,339 |
| Total | 18,198 | 2,603 | (2,254) | (208) | 18,339 |

Further details are provided in Note 2 - Disclosure on subsidiaries, joint ventures and associates.

9) Other investments

This item was Euro 0.061 million (Euro 0.029 million at 31 December 2016) and was for the shareholdings in:

- Esperia SpA: Euro 0.029 million;
- Comitato Golden Card: Euro 0.032 million.

10) Trade and other receivables

These totalled Euro 11.687 million (Euro 12.473 million at 31 December 2016).

The changes in this entry were as follows:

Trade and other receivables

| | Balance at 31/12/16 | Changes during the financial year | | Balance at 31/12/17 |
|--|------------------------|--------------------------------------|------------|------------------------|
| | | Increase | Decrease | |
| Other receivables from the controlling shareholder | 11,862 | - | 264 | 11,598 |
| Other guarantee deposits | 587 | 3 | 501 | 89 |
| Other receivables | 24 | - | 24 | - |
| Total | 12,473 | 3 | 789 | 11,687 |

The entry included:

- other receivables from the controlling shareholder of Euro 11.598 million (Euro 11.862 million at 31 December 2016). Euro 10.412 million was for the guarantee deposit paid by the Parent Company under the lease agreements for the two exhibitions sites of Rho and Milan. This sum is equivalent to the combined quarterly rent of the two exhibition sites; the residual amount of Euro 1.186 million was the non-current part of the receivable arising from the right to repayment from Fondazione Fiera Milano of the guarantee deposit paid on the two previous lease agreements offset by the sum payable by Fiera Milano for the guarantee deposits for the new lease agreements. This receivable will be paid over the length of the contracts through a reduction in the amount payable by Fiera Milano SpA to Fondazione Fiera Milano for each six-monthly rental payment;
- other guarantee deposits totalling Euro 0.089 million (Euro 0.587 million at 31 December 2016). The decrease in this item compared to the previous financial year was because the guarantee deposit under the property lease for the Palazzo Italia project in Berlin in the Parent Company was transferred to other current receivables as the contract will expire in October 2018;
- other receivables were zero (Euro 0.024 million at 31 December 2016).

Trade and other receivables included Euro 11.598 million (Euro 11.862 million at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

11) Deferred tax assets

These were Euro 0.976 million (Euro 3.678 million at 31 December 2016) and were the net balance of deferred tax assets and deferred tax liabilities in each company that was consolidated.

Note 45 to the Income Statement provides an analysis of the changes in deferred taxes.

Current assets

12) Trade and other receivables

Trade and other receivables

| | (€'000) | | |
|--|---------------|---------------|----------------|
| | 31/12/17 | 31/12/16 | Change |
| Trade receivables | 31,827 | 37,216 | (5,389) |
| Trade receivables from the controlling shareholder | 3,604 | 4,186 | (582) |
| Trade receivables from Joint Venture | 135 | 204 | (69) |
| Other receivables | 6,615 | 5,786 | 829 |
| Prepaid expenses from the controlling shareholder | 3,433 | 3,982 | (549) |
| Accrued income and prepaid expenses | 663 | 853 | (190) |
| Total | 46,277 | 52,227 | (5,950) |

These were Euro 46.277 million (Euro 52.227 million at 31 December 2016) and included the following items:

- trade receivables from clients of Euro 31.827 million (Euro 37.216 million at 31 December 2016) net of Euro 5.110 million of provisions for doubtful receivables. They comprised receivables from organisers and exhibitors for the provision of exhibition and congress space and services.

The sum for receivables was adjusted for the provision for doubtful receivables in order to bring the nominal value in line with the estimated recoverable value. The change in this provision in the financial year under review is shown in the table below:

| | (€'000) | | | |
|------------------------------------|----------|------------|-------------------------------|----------|
| | 31/12/16 | Provisions | Utilisation and other changes | 31/12/17 |
| Provision for doubtful receivables | 7,813 | 972 | 3,675 | 5,110 |

The provision was for receivables that were deemed difficult to recover.

The use of this provision is for receivables that are expected to be settled in the period under review.

- Euro 3.604 million (Euro 4.186 million at 31 December 2016) of receivables from the controlling shareholder were:
 - Euro 1.088 million (Euro 3.432 million at 31 December 2016) for the tax consolidation;
 - Euro 1.958 million (Euro 0.205 million at 31 December 2016) of Group VAT receivables;
 - Euro 0.558 million (Euro 0.549 million at 31 December 2016) of other receivables.
- Other receivables of Euro 6.615 million (Euro 5.786 million at 31 December 2016) comprising:
 - Euro 3.015 million (Euro 2.589 million at 31 December 2016) of advances to suppliers;
 - Euro 0.855 million (Euro 1.593 million at 31 December 2016) of other tax receivables of which Euro 0.655 in Cipa FM and Euro 0.200 million in other companies;
 - Euro 1.101 million (Euro 0.408 million at 31 December 2016) of VAT receivables; the increase was due to La Fabbrica del Libro SpA and MiCo DMC Srl, which are not part of the Group VAT tax consolidation;

- o Euro 0.305 million (Euro 0.299 million at 31 December 2016) of receivables for tax credits on employee severance indemnities;
- o Euro 0.211 million (Euro 0.236 million at 31 December 2016) of receivables from employees;
- o Euro 0.201 million (Euro 0.202 million at 31 December 2016) for advances to and receivables from INAIL;
- o Euro 0.927 million (Euro 0.459 million at 31 December 2016); Euro 0.501 million was due to the reclassification of the guarantee deposit in the Parent Company for the property lease of the Palazzo Italia project in Berlin.
- Accruals from the controlling shareholder of Euro 3.433 million (Euro 3.982 million at 31 December 2016) that were mainly for the rent for the **fieramilano** exhibition site
- Accruals of Euro 0.663 million (Euro 0.853 million at 31 December 2016) for insurance premiums and other accruals and for costs incurred in the financial year under review but pertaining to future financial years.

The entry for trade and other receivables included Euro 7.172 million (Euro 8.372 million at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

13) Inventories

Inventories were Euro 3.485 million (Euro 5.480 million at 31 December 2016) and the breakdown was as follows:

| Inventories | (€'000) | | |
|---|--------------|--------------|----------------|
| | 31/12/17 | 31/12/16 | Change |
| Raw materials, subsidiary materials and consumables | 40 | 35 | 5 |
| Deferred costs | 3,445 | 5,445 | (2,000) |
| Total | 3,485 | 5,480 | (1,995) |

Deferred costs referred to exhibitions and congresses to be held after 31 December 2017.

Information by exhibition is given in the following table.

Exhibition

| | (€'000) | | |
|----------------------------------|--------------|--------------|----------------|
| | 31/12/17 | 31/12/16 | Change |
| Tuttofood | 496 | 1,781 | (1,285) |
| Expodetergo | 363 | 236 | 127 |
| Fisp | 291 | 142 | 149 |
| Miart | 256 | 155 | 101 |
| Bit | 250 | 318 | (68) |
| Tempo di libri | 242 | 233 | 9 |
| Homi I semestre | 237 | 313 | (76) |
| Print4all | 216 | - | 216 |
| Promotion Trade Exhibition | 125 | 162 | (37) |
| Host | 60 | 608 | (548) |
| Transpotec & Logitec | 1 | 204 | (203) |
| Fruit Innovation | - | 237 | (237) |
| Sicurezza | - | 176 | (176) |
| Congresses and other exhibitions | 908 | 880 | 28 |
| Total | 3,445 | 5,445 | (2,000) |

The entry for inventories included Euro 0.003 million (Euro 0.191 million at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

14) Current financial assets

These were Euro 2.809 million (Euro 2.622 million at 31 December 2016) and the breakdown was as follows:

| | (€'000) | | | |
|--------------------------------------|--------------|------------|------------|--------------|
| | 31/12/16 | Increase | Decrease | 31/12/17 |
| Financing to controlling shareholder | - | 700 | - | 700 |
| S/term financing to Joint Venture | 2,622 | - | 513 | 2,109 |
| Total | 2,622 | 700 | 513 | 2,809 |

This entry includes the following:

- Euro 0.700 million for the current account of the Parent Company Fondazione Fiera Milano. Interest payable on this account was fixed at 1-month Euribor plus a spread of 1.75% but changed from 1 July 2017 to 1-month Euribor plus a spread of 1.50%;
- Euro 2.109 million for the financing given by the Parent Company to the joint venture Ipack-Ima Srl. The interest payable on this loan is 1.50%.

This entire entry comprises related-party transactions (Euro 2.622 million at 31 December 2016). Note 49 provides further details on related-party transactions.

15) Cash and cash equivalents

Cash and cash equivalents totalled Euro 17.922 million (Euro 20.904 million at 31 December 2016) and were mainly cash bank deposits to meet short-term requirements.

The cash flows, with comparative data at 31 December 2016, are shown in the Consolidated Statement of Cash Flows.

EQUITY AND LIABILITIES

16) Equity

The breakdown of consolidated equity was as follows:

| Equity | (€'000) | | |
|--|----------------|----------------|--------------|
| | 31/12/17 | 31/12/16 | Change |
| Share capital | 41,645 | 41,645 | - |
| <i>of which treasury shares</i> | <i>(800)</i> | <i>(800)</i> | - |
| Share premium reserve | 10,299 | 35,668 | (25,369) |
| <i>of which treasury shares</i> | <i>(3,204)</i> | <i>(3,204)</i> | - |
| Other reserves | 3,059 | 1,714 | 1,345 |
| Retained profits/(losses) | 5,831 | 4,773 | 1,058 |
| Profit/(loss) for the period | 1,637 | (22,794) | 24,431 |
| Group equity | 62,471 | 61,006 | 1,465 |
| Capital and reserves attributable to non-controlling interests | 463 | 729 | (266) |
| Profit/(loss) attributable to non-controlling interests | 101 | (56) | 157 |
| Equity attributable to non-controlling interests | 564 | 673 | (109) |
| Total | 63,035 | 61,679 | 1,356 |

The amounts and changes compared to 31 December 2016 were as follows:

Share capital

At 31 December 2017, the share capital was Euro 41.645 million (Euro 41.645 million at 31 December 2016), net of Euro 0.800 million of treasury shares. The fully paid-up share capital of the Parent Company was 71,917,829 ordinary shares with no restrictions on dividend distribution and repayment of share capital, except as provided by law for treasury shares.

The breakdown of the shares in issue is shown in the following table:

| | Number of shares at 31 December 2016 | Change | | | Number of shares at 31 December 2017 |
|--------------------------|--|---------------------|----------|------|--|
| | | Capital Increase | Purchase | Sale | |
| Ordinary shares in issue | 71,917,829 | - | - | - | 71,917,829 |
| Treasury shares | 939,018 | - | - | - | 939,018 |
| Total shares outstanding | 70,978,811 | | | | 70,978,811 |

Under IAS/IFRS, the nominal value of treasury shares is carried directly to equity whilst the difference between the nominal value and the acquisition price of treasury shares is taken to the share premium reserve.

The Extraordinary Shareholders' Meeting of 31 July 2015, at the same time as approving the share capital increase, also approved the cancellation of the nominal value of the shares that comprise the share capital. Therefore, since that date, the nominal value is calculated by dividing the share capital by the number of shares outstanding. At 31 December 2017, this gave an implicit nominal value of Euro 0.59 per share.

31 December 2017, the Parent Company held 920,768 treasury shares, equal to 1.28% of the share capital. The remaining 18,250 shares are held by Ipack-Ima SpA.

Share premium reserve

The share premium reserve was Euro 10.299 million (Euro 35.668 million at 31 December 2016) net of Euro 3.204 million for treasury shares.

The changes during the financial year under review were in the Parent Company and were as follows:

- a decrease of Euro 25.314 million following the approval of the Parent Company Shareholders' Meeting of 21 April 2017 to use the share premium reserve to cover losses carried forward;
- a decrease of Euro 0.055 million in pre-paid taxes in the Parent Company for the deductible costs of the share capital increase, which, in 2015, were taken against equity, net of the tax effect as required by IAS 32 – *Financial Instruments - Presentation*.

Other reserves

Other reserves totalled Euro 3.059 million (Euro 1.714 million at 31 December 2016) and included Euro 8.489 million for the legal reserve of the Parent Company and a negative figure of Euro 5.430 million for the foreign currency translation reserve.

Retained profits/losses

This entry was Euro 5.831 million (Euro 4.773 million at 31 December 2016).

Changes in the period under review were as follows:

- a decrease of Euro 22.794 million for the allocation of the result for the previous financial year;
- an increase of Euro 23.806 million as losses carried forward from previous financial periods were covered by using the share premium reserve and other reserves;
- an increase of Euro 0.046 million for the recalculation of the defined benefit plans net of the tax effect.

Net result for the period

The Group net profit for the financial year at 31 December 2017 was Euro 1.637 million. It made a net loss of Euro 22.794 million in the previous financial year.

Non-controlling interests

Capital and reserves: non-controlling interests

At 31 December 2017, these totalled Euro 0.463 million (Euro 0.729 million at 31 December 2016).

The changes in the financial year under review were as follows:

- a decrease of Euro 0.056 million following allocation of the net result of the previous financial year;
- a decrease of Euro 0.548 million for the divestment of the subsidiary Worldex Ltd;
- an increase of Euro 0.339 million for capital payments to the subsidiary La Fabbrica del Libro SpA from the non-controlling shareholder Ediser Srl to cover 15% of the losses generated by the company.
- other changes for a negative amount of Euro 0.001 million.

Net result for the period: non-controlling interests

The net profit attributable to non-controlling interests was Euro 0.101 million (a loss of Euro 0.056 million at 31 December 2016).

LIABILITIES

Non-current liabilities

17) Bank borrowings

Bank borrowings totalled Euro 3.503 million (Euro 14.108 million at 31 December 2016):

Bank borrowings

| | (€'000) | | |
|--------------------------|--------------|---------------|-----------------|
| | 31/12/17 | 31/12/16 | Change |
| Bank loans - non current | 3,503 | 14,108 | (10,605) |
| Total | 3,503 | 14,108 | (10,605) |

Non-current bank borrowings

| | (€'000) | |
|--|------------------|--------------|
| | Fiera Milano SpA | Total |
| Non-current bank borrowings | 3,503 | 3,503 |
| <i>of which maturing beyond five years</i> | - | - |
| Total | 3,503 | 3,503 |

Non-current payables to banks were those of the Parent Company and were:

- Euro 0.505 million (Euro 1.505 million at 31 December 2016) for the non-current portion of the Euro 3.000 million financing given by Cassa di Risparmio di Parma e Piacenza SpA on 27 May 2016 and repayable in quarterly instalments in arrears from 27 August 2016 until 27 May 2019 with interest at 3-month Euribor plus a spread of 1.50%;
- Euro 2.998 million (zero at 31 December 2016) for the non-current portion of the Euro 6.000 million financing given by Banco BPM SpA on 4 October 2017 and repayable in quarterly instalments in arrears from 31 December 2017 until 31 December 2019 with interest at 3-month Euribor plus a spread of 1.50%.

The change compared to the figure of the previous financial year (Euro 12.603 million at 31 December 2016) mainly reflected the repayment of the non-current portion of the following loans:

- a Euro 20.000 million loan given by Banca Popolare di Milano SpA on 6 December 2013, and repayable in six-monthly instalments in arrears from 30 June 2014 until 30 June 2018 with interest at 3-month Euribor plus a spread of 2%;
- a Euro 10.000 million loan given by Banca Popolare di Bergamo SpA on 23 May 2016 and repayable in quarterly instalments in arrears from 23 August 2016 until 23 May 2018 with interest at 3-month Euribor plus a spread of 1.85%;
- a Euro 15.000 million loan given by Banca Popolare di Lodi on 25 May 2016 and repayable in quarterly instalments in arrears from 30 June 2016 until 30 June 2018 with interest at 3-month Euribor plus a spread of 1.50%;
- a Euro 5.000 million loan given by Banca Popolare di Lodi on 22 June 2016 and repayable in quarterly instalments in arrears from 30 June 2016 until 30 June 2018 with interest at 3-month Euribor plus a spread of 1.50%;

- a Euro 5.000 million loan given by Banca Nazionale del Lavoro SpA on 22 December 2016 and repayable in monthly instalments in arrears from 22 January 2017 until 22 December 2018 with interest at 1-month Euribor plus a spread of 1.50%.

The loan received on 27 May 2016 is subject to commercial covenants and, for the duration of the loan, the Parent Company has agreed to channel receivables and payables for a specific amount through current accounts opened with Cassa di Risparmio di Parma e Piacenza SpA. The commercial covenants agreed under the loan were met at 31 December 2017.

18) Other financial liabilities

These totalled Euro 0.042 million (Euro 0.042 million at 31 December 2016) and the breakdown was as follows:

Other non-current financial liabilities

| | (€'000) | | |
|-----------------------------|-----------|-----------|----------|
| | 31/12/17 | 31/12/16 | Change |
| Other non-current financing | 42 | 42 | - |
| Total | 42 | 42 | - |

The entire entry is a related-party transaction (Euro 0.042 million at 31 December 2016). Note 49 provides further details on related-party transactions.

19) Provisions for risks and charges

Provisions for risks and charges totalled Euro 0.834 million (Euro 3.584 million at 31 December 2016) and were as follows:

Provisions for risks and charges

| | (€'000) | | | | | |
|--|--------------|------------|-------------|----------------------------------|-------------------|------------|
| | 31/12/16 | Provisions | Utilisation | Currency translation differences | Reclassifications | 31/12/17 |
| Provision for charges for "Palazzo Italia" project | 1,119 | - | - | - | (1,119) | - |
| Other provisions for risks and charges | 2,465 | 25 | 419 | (170) | (1,067) | 834 |
| Total | 3,584 | 25 | 419 | (170) | (2,186) | 834 |

The provision for risks and charges was for disputes with suppliers and other disputes and was calculated on their presumable outcome based on internal valuations supported by external legal advice.

Provisions for risks and costs were:

- Euro 1.119 million for the provision in the Parent Company for the onerous contract for the Palazzo Italia in Berlin, which expires in October 2018;
- Euro 1.067 million for the risk provision in Cipa FM to cover any potential tax risks and those related to foreign exchange translation.

20) Employee benefit provisions

These were Euro 9.379 million (Euro 9.302 million at 31 December 2016).

Employee benefit provisions, calculated using actuarial methods, were for employee severance indemnities that had accrued at 31 December 2017 and were as follows:

Employee benefit provisions

| | 31/12/16 | Effect of defined benefit plans on debt | Indemnities and advances paid | (€'000) 31/12/17 |
|---|--------------|---|-------------------------------|---------------------|
| Defined benefit plans | 9,285 | 481 | 390 | 9,376 |
| Defined benefit plans-end-of-term treatment | 17 | 6 | 20 | 3 |
| Total | 9,302 | 487 | 410 | 9,379 |

Effect of defined benefit plans on debt

| | (€'000) |
|--|------------|
| Personnel expenses: | |
| - indemnities related to defined benefit plans | 425 |
| Financial expenses: | |
| - actualisation charges | 121 |
| Other comprehensive income | |
| - Remeasurement of defined benefit plans | (59) |
| Total | 487 |

The Company uses a duly certified professional to determine the actuarial amounts.

The main hypotheses/assumptions used in the actuarial calculations for the defined benefit plans were as follows:

Demographic assumptions

| | |
|--|---|
| Mortality rate | Based on the ISTAT 2011 mortality tables by gender |
| Probability of disability | Based on the disability tables used in the INPS 2010 forecast model |
| Probability of termination of employment | Based on the probable employee turnover rate equal to 5% per annum of the companies being valued |
| Retirement probability | Assumption that the basic requirements needed to receive the compulsory general insurance (<i>Assicurazione Generale Obbligatoria</i>) were met |
| Probability of early retirement | Assumption of 3% per annum and an average amount of 70% of the staff-leaving indemnities of all the companies valued. |

Economic and financial assumption for calculation of severance indemnity provisions

| | 31/12/17 | 31/12/16 |
|---|----------|----------|
| Annual technical discount rate | 1.30% | 1.30% |
| Annual inflation rate | 1.50% | 1.50% |
| Annual rate of increase in total employees' salary | 2.50% | 2.50% |
| Annual rate of increase in severance indemnity provisions | 2.62% | 2.62% |

The discount rate was calculated with reference to the Eurozone Iboxx Corporate AA index for a period equal to or greater than ten years.

The following table gives sensitivity analyses for the main assumptions used to calculate the liability for defined benefit plans.

Effect of defined benefit plans on debt

| (€ '000) | | | | |
|--|------------|---|----------------------------|----------------------------|
| Economic and financial assumptions | Range | Base figure (excluding the CEO's termination benefit) | Increase in assumptions | Decrease in assumptions |
| Annual technical discount rate | +/- 0.5% | 9,376 | 8,878 | 9,758 |
| Annual rate of increase in total employees' salary | +/- 0.5% | 9,376 | 9,376 | 9,228 |
| Economic and financial assumptions | | | | |
| Life expectancy | +/- 1 year | 9,376 | 9,453 | 9,299 |

21) Deferred tax liabilities

Deferred tax liabilities

| (€ '000) | | | |
|--------------------------|--------------|--------------|--------------|
| | 31/12/17 | 31/12/16 | Change |
| Deferred tax liabilities | 3,225 | 3,523 | (298) |
| Total | 3,225 | 3,523 | (298) |

Deferred tax liabilities totalled Euro 3.225 million (Euro 3.523 million at 31 December 2016) and the figure is the net balance of deferred tax assets and deferred tax liabilities for each company included in the area of consolidation.

The entry includes:

- Euro 2.633 million for the IRES deferred tax provision;
- Euro 0.592 million for the IRAP deferred tax provision.

An analysis of the changes in deferred tax liabilities is given in Note 45 to the Income Statement.

Current liabilities

22) Bank borrowings

Current bank borrowings and changes in the period under review were as follows:

| Bank borrowings | (€ '000) | | |
|-------------------------|---------------|---------------|-----------------|
| | 31/12/17 | 31/12/16 | Change |
| Bank accounts | - | - | - |
| Bank overdrafts | 42 | 18,019 | (17,977) |
| Loans - current portion | 17,210 | 27,523 | (10,313) |
| Total | 17,252 | 45,542 | (28,290) |

| Current bank borrowings | (€ '000) | | |
|-------------------------|---------------|------------|---------------|
| | Fiera Milano | Cipa FM | Total |
| Bank overdrafts | 42 | - | 42 |
| Loans - current portion | 16,563 | 647 | 17,210 |
| Total | 16,605 | 647 | 17,252 |

Bank borrowings were mainly in the Parent Company and were:

- Euro 0.042 million (Euro 18.019 million at 31 December 2016) of interest payments on current loans taken out in the financial period under review to meet cash requirements. The decrease in bank borrowings compared to the previous financial year was primarily due to operating cash flow generated in the period under review.

Credit lines with conditions attached included that from Banca Nazionale del Lavoro SpA, which was for advances on domestic receivables. Under the agreement for the credit line, each year Fiera Milano SpA channels through the bank incoming commercial funds in the form of payments, bank transfers, POS payments and notice payment forms (MAV) for an amount equal to a multiple of the credit line. At 31 December 2017, this credit line had not been used.

- Euro 16.563 million (Euro 26.049 million at 31 December 2016) that was the current portions of the bank loans described in Note 17.

Specifically, these were Euro 2.202 million for the financing given on 6 December 2013, Euro 2.892 million for the financing given on 23 May 2016, Euro 3.774 million for the financing given on 25 May 2016, Euro 1.001 million for the financing given on 27 May 2016, Euro 1.258 million for the financing given on 22 June 2016, Euro 2.485 million for the financing given on 22 December 2016, and Euro 2.951 million for the financing given on 4 October 2017.

The loan given on 6 December 2013 is subject to certain financial covenants that include a specified maximum for the Net debt/Equity ratio. These covenants are measured annually. At 31 December 2017, the covenants had been respected. Further details are given in Note 30.2.

In the financial year under review, the commercial covenants agreed with the relevant bank for the credit line granted on 22 December 2016 were met.

Bank borrowings are subject to floating rate interest.

23) Trade payables

Trade payables totalled Euro 48.437 million (Euro 41.114 million at 31 December 2016). Trade payables were mainly to Italian suppliers for the purchase of services required to mount the exhibitions that is the typical business of the Company.

This entry includes Euro 0.085 million (zero at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

24) Advances

Advances totalled Euro 43.057 million (Euro 40.239 million at 31 December 2016) and were mainly advances invoiced to clients for exhibitions to be held after the end of the financial year.

Revenue recognition is delayed until the exhibition is held.

The table below gives a breakdown by exhibition. The change in advances compared to the previous financial year can be explained by the biennial and multi-annual frequency of some exhibitions:

Advances

(€ '000)

| | 31/12/17 | 31/12/16 | Change |
|--|---------------|---------------|--------------|
| Homi I semestre | 10,305 | 11,700 | (1,395) |
| Mostra Convegno Expocomfort | 7,709 | 790 | 6,919 |
| Host | 2,857 | 4,789 | (1,932) |
| Mido | 2,157 | 1,756 | 401 |
| Salone del mobile/Complemento d'arredo | 1,967 | 1,941 | 26 |
| Ipack-Ima | 1,566 | 166 | 1,400 |
| Plast | 1,547 | 71 | 1,476 |
| Lineapelle I semestre | 1,204 | 1,800 | (596) |
| Fisp | 1,036 | 190 | 846 |
| Micam primavera | 1,030 | 953 | 77 |
| Expodetergo | 955 | 324 | 631 |
| Promotion Trade Exhibition | 863 | 822 | 41 |
| Bit | 693 | 176 | 517 |
| Simac Tanning-Tech | 677 | 595 | 82 |
| The One Milano | 657 | 611 | 46 |
| Bimu | 648 | - | 648 |
| Milano Unica primavera | 616 | 546 | 70 |
| Exposec | 572 | 504 | 68 |
| Eurocucina | 496 | - | 496 |
| Print4all | 458 | - | 458 |
| Fesqua | 381 | - | 381 |
| Tuttofood | 344 | 3,108 | (2,764) |
| Salone Internazionale del Bagno | 284 | - | 284 |
| Venditalia | 252 | - | 252 |
| Myplant & garden | 233 | 132 | 101 |
| Mipel | 219 | 144 | 75 |
| Xylexpo | 202 | - | 202 |
| Fire Show | 200 | - | 200 |
| Meat Tech | 187 | 12 | 175 |
| Sposaitalia | 164 | 175 | (11) |
| Bie-Biomass Innovation Expo | 146 | - | 146 |
| Transpotec & Logitec | - | 1,534 | (1,534) |
| Made Expo | - | 692 | (692) |
| Sicurezza | - | 620 | (620) |
| Euroluce | - | 492 | (492) |
| Lamiera | - | 219 | (219) |
| GF&WS Cape Town | - | 133 | (133) |
| Made in Steel | - | 103 | (103) |
| Congresses and other exhibitions | 2,432 | 5,141 | (2,709) |
| Total | 43,057 | 40,239 | 2,818 |

This entry included Euro 1.776 million (Euro 0.178 million at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

25) Other financial payables

| Other current financial liabilities | | | (€ '000) |
|--|------------|--------------|----------------|
| | 31/12/17 | 31/12/16 | Change |
| Financial payables to the controlling shareholder | - | 1,627 | (1,627) |
| Adjustment of the put option on the shares of the Woldex Ltd. minority shareholder | - | 850 | (850) |
| Other financial payables | 729 | 836 | (107) |
| Finance leases | - | 51 | (51) |
| Total | 729 | 3,364 | (2,635) |

Other financial payables were Euro 0.729 million (Euro 3.364 million at 31 December 2016).

Other financial payables were mainly for the non-controlling interests of Cipa FM acquired by Eurofairs and for the dividend due to be distributed by MiCo DMC Srl and AIM Group International SpA.

This entry included Euro 0.037 million (Euro 2.503 million at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

26) Current provisions for risks and charges

| Current provisions for risks and charges | | | | | | (€ '000) |
|--|--------------|--------------|--------------|-------------------|----------------------------------|--------------|
| | 31/12/16 | Provisions | Utilisation | Reclassifications | Currency translation differences | 31/12/17 |
| Palazzo Italia project | 1,473 | 241 | 1,418 | 1,119 | - | 1,415 |
| Losses on exhibitions | 1,564 | - | 1,564 | - | - | - |
| Other provisions for risks and charges | 1,726 | 5,724 | 2,706 | 1,067 | (33) | 5,778 |
| Total | 4,763 | 5,965 | 5,688 | 2,186 | (33) | 7,193 |

These totalled Euro 7.193 million (Euro 4.763 million at 31 December 2016) and the breakdown was as follows:

- Euro 1.415 million for the current portion of the provision for the onerous contract for the Palazzo Italia project in Berlin that expires in October 2018. The total provision, which was Euro 2.592 million at 31 December 2016, was used in the financial period under review. Euro 1.418 million was utilised and there was a further reduction of Euro 0.241 million following an updated assessment of the forecasts for the use of the property;
- Euro 5.778 million for disputes with employees, suppliers and others. The provisions were mainly an estimate of the probable liabilities for the reorganisation of the human resources.

Euro 1.067 million for the risk provision in Cipa FM to cover any potential tax risks and those related to foreign exchange translation.

27) Current tax liabilities

Current tax liabilities

| | (€ '000) | | |
|--|--------------|--------------|------------|
| | 31/12/17 | 31/12/16 | Change |
| Income tax payable on profits for the year | 558 | 56 | 502 |
| Income tax payable for employees (IRPEF) | 1,205 | 1,147 | 58 |
| Income tax payable for temporary employees and project workers (IRPEF) | 151 | 201 | (50) |
| Other tax liabilities | 96 | 201 | (105) |
| Total | 2,010 | 1,605 | 405 |

Current tax liabilities totalled Euro 2.010 million (Euro 1.605 million at 31 December 2016).

The change in this figure was mainly due to the increase in IRAP payable by the Parent Company, net of any advances paid, in the financial year under review.

28) Other current liabilities

Other current liabilities totalled Euro 23.334 million (Euro 16.513 million at 31 December 2016) and the breakdown was as follows:

Other current liabilities

| | (€ '000) | | |
|---|---------------|---------------|--------------|
| | 31/12/17 | 31/12/16 | Change |
| Payables to employees | 8,957 | 4,994 | 3,963 |
| Payables to exhibition organisers | 8,640 | 3,899 | 4,741 |
| Payables to pension and social security entities | 2,226 | 2,182 | 44 |
| Payables to exhibition organisers in Joint Venture | 468 | 62 | 406 |
| Payables to the controlling shareholder | 358 | 1,408 | (1,050) |
| Payables to the controlling shareholder for tax consolidation | 518 | 268 | 250 |
| Group VAT payables | 111 | 1,493 | (1,382) |
| Payables to directors and statutory auditors | 49 | 68 | (19) |
| Trade payables to Subsidiaries | 24 | 310 | (286) |
| Other payables | 1,649 | 1,533 | 116 |
| Payables to related parties | 17 | 11 | 6 |
| Deferred income and Accrued liabilities | 317 | 285 | 32 |
| Total | 23,334 | 16,513 | 6,821 |

The main changes compared to the previous financial year were as follows:

- higher payables to exhibition organisers due to the increase in payments received on their behalf;
- an increase in liabilities for personnel that mainly referred to the variable component of employee remuneration in the Parent Company;
- a decrease in Group VAT payables.

This entry included Euro 1.496 million (Euro 3.552 million at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

29) Financial assets and liabilities

At 31 December 2017, the Group had net debt of Euro 0.795 million (Euro 38.316 million at 31 December 2016) as shown in the following table. Where applicable, the portion of each entry that is a related-party transaction is shown separately.

Group Net Financial Position

| (Amounts in € '000) | 31/12/17 | 31/12/16 | change |
|---|----------------|----------------|-----------------|
| A. Cash (including bank balances) | 17,922 | 20,904 | (2,982) |
| B. Other cash equivalents | - | - | - |
| C. Securities held for trading | - | - | - |
| D. Cash and cash equivalents (A+B+C) | 17,922 | 20,904 | (2,982) |
| E. Current financial assets | 2,809 | 2,622 | 187 |
| - E.1 of which Other non current liabilities to the controlling shareholder | 700 | - | 700 |
| - E.2 of which Other non current liabilities to other related parties | 2,109 | 2,622 | (513) |
| F. Current bank borrowings | 689 | 18,019 | (17,330) |
| G. Current portion of non-current debt | 16,563 | 27,523 | (10,960) |
| H. Other current financial liabilities | 729 | 3,364 | (2,635) |
| - H.1 of which Other current financial liabilities to the controlling shareholder | - | 1,627 | (1,627) |
| - H.2 of which Other current financial liabilities to other related parties | 37 | 876 | (839) |
| I. Current financial debt (F+G+H) | 17,981 | 48,906 | (30,925) |
| J. Current net financial debt (cash) (I-E-D) | (2,750) | 25,380 | (28,130) |
| K. Non-current bank borrowings | 3,503 | 14,108 | (10,605) |
| L. Debt securities in issue | - | - | - |
| M. Other non-current liabilities | 42 | 42 | - |
| - M.1 of which Other non current liabilities to other related parties | 42 | 42 | - |
| N. Non-current financial debt (K+L+M) | 3,545 | 14,150 | (10,605) |
| Net financial debt/(cash) from continuing operations (J+N) | 795 | 39,530 | (38,735) |
| Net financial debt/(cash) from discontinued operations | - | (1,214) | 1,214 |
| O. Net financial debt/(cash) | 795 | 38,316 | (37,521) |

Net debt fell by Euro 37.521 million in the financial year under review.

This improvement was due to the generation of operating cash flows and the trend in net working capital that reflected higher payments and advances for exhibitions.

Additional information on the financial instruments of the Company is given below to enable a better assessment of:

- a) the importance of financial instruments for the Statement of Financial Position and Income Statement;
- b) the significance and type of risks deriving from the financial instruments to which the Company was exposed during the financial year under review and the previous financial year and the relevant risk management procedures.

Classes of financial instruments

The items in the Statement of Financial Position and the types of risk related to financial instruments at 31 December 2017 and 31 December 2016 are shown in the following table.

Risk class

(€'000)

| | Notes | FY 31/12/17 | FY 31/12/16 | Liquidity risk | Interest rate risk | Credit risk |
|--------------------------------|-------|----------------|----------------|-------------------|-----------------------|----------------|
| NON-CURRENT ASSETS | | | | | | |
| 1) Trade and other receivables | 10 | 11,687 | 12,473 | | | X |
| CURRENT ASSETS | | | | | | |
| 2) Trade and other receivables | 12 | 46,277 | 52,227 | | | X |
| 3) Financial assets | 14 | 2,809 | 2,622 | X | | |
| 4) Cash and cash equivalents | 15 | 17,922 | 20,904 | X | | |
| NON-CURRENT LIABILITIES | | | | | | |
| 5) Bank borrowings | 17 | 3,503 | 14,108 | X | X | |
| 6) Other financial liabilities | 18 | 42 | 42 | X | X | |
| CURRENT LIABILITIES | | | | | | |
| 7) Bank borrowings | 22 | 17,252 | 45,542 | X | X | |
| 8) Trade payables | 23 | 48,437 | 41,114 | X | | |
| 9) Other financial liabilities | 25 | 729 | 3,364 | X | X | |
| 10) Other current liabilities | 28 | 23,334 | 16,513 | X | | |

Significance of financial instruments

Financial instruments and their relative significance, as regards the Statement of Financial Position and Income Statement at 31 December 2016 and 31 December 2017, are shown in the following tables.

Financial assets and liabilities shown in the accounts

(€'000)

| | Notes | 31/12/16 | Assets at fair value (a) FY through profit & loss | Loans and receivables | Investments held to maturity | Liabilities at amortised cost | Fair value | Impact on Income Statement |
|--------------------------------|-------|----------|---|-----------------------|------------------------------|-------------------------------|------------|----------------------------|
| NON-CURRENT ASSETS | | | | | | | | |
| 1) Trade and other receivables | 10 | 12,473 | - | 12,473 | - | - | 12,473 | 24 |
| CURRENT ASSETS | | | | | | | | |
| 2) Trade and other receivables | 12 | 52,227 | - | 52,227 | - | - | 52,227 | (1,312) |
| 3) Financial assets | 14 | 2,622 | - | 2,622 | - | - | 2,622 | 32 |
| 4) Cash and cash equivalents | 15 | 20,904 | - | 20,904 | - | - | 20,904 | 113 |
| NON-CURRENT LIABILITIES | | | | | | | | |
| 5) Bank borrowings | 17 | 14,108 | - | - | - | 14,108 | 14,108 | (809) |
| 6) Other financial liabilities | 18 | 42 | - | - | - | 42 | 42 | -6 |
| CURRENT LIABILITIES | | | | | | | | |
| 7) Bank borrowings | 22 | 45,542 | - | - | - | 45,542 | 45,542 | (301) |
| 8) Trade payables | 23 | 41,114 | - | - | - | 41,114 | 41,114 | (54) |
| 9) Other financial liabilities | 25 | 3,364 | - | - | - | 3,364 | 3,364 | (118) |
| 10) Other current liabilities | 28 | 16,513 | - | - | - | 16,513 | 16,513 | - |

(a) Fair value at the recognition date

Financial assets and liabilities shown in the accounts

(€'000)

| | Notes | 31/12/17 | Assets at fair value (a) FY through profit & loss | Loans and receivables | Investments held to maturity | Liabilities at amortised cost | Fair value | Impact on Income Statement |
|--------------------------------|-------|----------|---|-----------------------|------------------------------|-------------------------------|------------|----------------------------|
| NON-CURRENT ASSETS | | | | | | | | |
| 1) Trade and other receivables | 10 | 11,687 | - | 11,687 | - | - | 11,687 | 12 |
| CURRENT ASSETS | | | | | | | | |
| 2) Trade and other receivables | 12 | 46,277 | - | 46,277 | - | - | 46,277 | (972) |
| 3) Financial assets | 14 | 2,809 | - | 2,809 | - | - | 2,809 | 37 |
| 4) Cash and cash equivalents | 15 | 17,922 | - | 17,922 | - | - | 17,922 | 109 |
| NON-CURRENT LIABILITIES | | | | | | | | |
| 5) Bank borrowings | 17 | 3,503 | - | - | - | 3,503 | 3,503 | (479) |
| 6) Other financial liabilities | 18 | 42 | - | - | - | 42 | 42 | - |
| CURRENT LIABILITIES | | | | | | | | |
| 7) Bank borrowings | 22 | 17,252 | - | - | - | 17,252 | 17,252 | (322) |
| 8) Trade payables | 23 | 48,437 | - | - | - | 48,437 | 48,437 | (12) |
| 9) Other financial liabilities | 25 | 729 | - | - | - | 729 | 729 | (13) |
| 10) Other current liabilities | 28 | 23,334 | - | - | - | 22,816 | 23,334 | - |

(a) Fair value at the recognition date

As shown in the above tables, the carrying value of financial assets and liabilities is a reasonable approximation of their fair value; most of the financial instruments are current investments and borrowings and where non-current instruments have been used these have not been subject to significant contingent charges.

The financial instruments are classifiable under Level 3 of the fair value hierarchy of IFRS 13 – *Fair Value Measurement*.

Changes in liabilities due to financing transactions are shown in the following table:

Changes in liabilities from financing activities

(Euro '000)

| | 31/12/16 | Changes in financial flows | | Non-monetary changes | 31/12/17 |
|---|---------------|----------------------------|----------------|----------------------|---------------|
| | | Increase | Decrease | Exchange rate effect | |
| Non-current bank loans | 14,108 | 2,998 | 13,603 | - | 3,503 |
| Other non-current loans | 42 | - | - | - | 42 |
| Total change in non-current financial payables | 14,150 | 2,998 | 13,603 | - | 3,545 |
| Credit lines | 18,019 | - | 17,977 | - | 42 |
| Bank loans | 27,523 | 2,951 | 13,091 | (173) | 17,210 |
| Lease financing | 51 | - | 51 | - | - |
| Current financial debt with the controlling shareholder | 1,627 | 54,569 | 56,196 | - | - |
| Current payables for acquisition of shareholdings | 800 | - | - | (108) | 692 |
| Current put options | 850 | - | 850 | - | - |
| Other current financial payables | 36 | 1 | - | - | 37 |
| Total change in current financial payables | 48,906 | 57,521 | 88,165 | (281) | 17,981 |
| Total liabilities from financing activities | 63,056 | 60,519 | 101,768 | (281) | 21,526 |

30) Financial and market risk management

The main financial instruments used by the Group are bank financing, current accounts and current financial loans from the controlling shareholder Fondazione Fiera Milano.

The Fiera Milano Group has a favourable cash management cycle due to the financial profile that characterises companies that organise exhibitions and congresses. These companies request an advance from their clients to confirm their participation in an event and this sum is normally cashed prior to the start of the event or at its conclusion. Suppliers of goods and services are paid under normal payment conditions. The organisers generate negative working capital from this system, which gives a cash management surplus.

The Parent Company, Fiera Milano SpA, rents exhibition space to the organisers and provides administrative and cash management services, receiving on behalf of the organisers everything that the exhibitors pay the organiser. After receiving the cash, Fiera Milano SpA, depending on the contractual agreements, retrocedes to the organiser what is its due and keeps the payment for the space rented out in the exhibition venues and for the services provided. This system allows the Company to receive in advance the sums it is due, as do the organisers. The companies in the Fiera Milano Group that benefit from this favourable cash management cycle are those that organise events and the Parent Company.

The situation is different for the companies that belong to the Stand-fitting and Media segments: they have a cash management cycle that is typical of companies who manufacture and supply goods and services. They generate working capital requirements that are funded by bank borrowings.

The Company is exposed to the following different types of risk.

30.1 Credit risk

Credit risk is represented by the Group's exposure to potential losses from the non-fulfilment of obligations undertaken by counterparties. Credit risk is adequately monitored, as is that pertaining to the cash management that characterises the Group business. Fiera Milano hosts and organises exhibitions that are leaders in their sector and, therefore, the loyalty of exhibitors is high. For the Parent Company, Fiera Milano SpA, the current system means that all receipts from exhibitors flow into the Fiera Milano SpA accounts and it is Fiera Milano SpA that retrocedes to its clients/organisers the amounts due to them.

Part of the services provided by the companies in the Stand-fitting and Media segments is invoiced and received on behalf of single Group companies by Fiera Milano SpA. Nevertheless, the companies in the Stand-fitting and Media segments carry out solvency assessments of potential clients and the relevant departments constantly monitor outstanding amounts so that any appropriate measures for debt recovery are implemented.

Three different categories of credit risk have been identified: organisers, exhibitors and other receivables.

The first risk category is represented by the exhibition **organisers**; the receivables included in this category are considered to represent the lowest risk as the Parent Company Fiera Milano SpA manages the cash flows of all the exhibitions at its two sites. Provisions for doubtful receivables are minimal in comparison to the amounts received and have been made for a few receivables that are proving difficult to recover.

The second risk category is the **exhibitors**; the receivables from this category are considered medium risk as exhibitors normally have to make payment before the end of the exhibition.

The third risk category is **other receivables**, which mainly comprises exhibition-related activities (stand-fitting, congresses, promotions, internet services) and activities that are not exhibition-related (sponsorship, advertising, etc.). These receivables are payable under normal payment conditions.

The Group sometimes uses bank guarantees as a further means of counteracting credit risk.

The categories of credit risk at 31 December 2016 and at 31 December 2017 and the breakdown of overdue payments are shown in the following tables:

| (€'000) | FY 31/12/2016 Receivables | Due | Breakdown of late payments (days) | | | | | Provision |
|--------------|---------------------------------|--------------|-----------------------------------|---------------|--------------|--------------|--------------|--------------|
| | | | Overdue | 0-90 | 91-180 | 181-270 | >270 | |
| Organisers | 3,170 | 1,721 | 3,421 | 1,079 | - | 65 | 2,277 | 1,972 |
| Exhibitors | 14,910 | 712 | 15,852 | 11,830 | 655 | 1,149 | 2,218 | 1,654 |
| Other | 19,136 | 6,901 | 16,422 | 8,319 | 1,695 | 935 | 5,473 | 4,187 |
| Total | 37,216 | 9,334 | 35,695 | 21,228 | 2,350 | 2,149 | 9,968 | 7,813 |

| (€'000) | FY 31/12/2017 Receivables | Due | Breakdown of late payments (days) | | | | | Provision |
|--------------|---------------------------------|---------------|-----------------------------------|---------------|------------|------------|--------------|--------------|
| | | | Overdue | 0-90 | 91-180 | 181-270 | >270 | |
| Organisers | 2,895 | 1,427 | 3,163 | 1,212 | 88 | - | 1,863 | 1,695 |
| Exhibitors | 12,455 | 8,061 | 5,352 | 2,712 | 271 | 542 | 1,827 | 958 |
| Other | 16,477 | 9,064 | 9,870 | 6,174 | 456 | 433 | 2,807 | 2,457 |
| Total | 31,827 | 18,552 | 18,385 | 10,098 | 815 | 975 | 6,497 | 5,110 |

The provision for doubtful receivables is based on presumed recoverability, using internal assessments supported by those of external legal consultants.

Changes in the provision for doubtful receivables by class of risk are shown in the following table:

| (€'000) | Balance at 31/12/2015 | | Utilisation | Other changes | Balance at 31/12/2016 | |
|--------------|--------------------------|--------------|--------------|---------------|--------------------------|-----------|
| | Provision | Provisions | | | Provision | Provision |
| Organisers | 2,074 | - | 102 | - | 1,972 | |
| Exhibitors | 1,681 | 900 | 927 | - | 1,654 | |
| Other | 4,815 | 412 | 1,085 | 45 | 4,187 | |
| Total | 8,570 | 1,312 | 2,114 | 45 | 7,813 | |

| (€'000) | Balance at 31/12/2016 | | Utilisation | Other changes | Balance at 31/12/2017 | |
|--------------|--------------------------|------------|--------------|---------------|--------------------------|-----------|
| | Provision | Provisions | | | Provision | Provision |
| Organisers | 1,972 | 128 | 405 | - | 1,695 | |
| Exhibitors | 1,654 | 485 | 1,181 | - | 958 | |
| Other | 4,187 | 359 | 2,047 | (42) | 2,457 | |
| Total | 7,813 | 972 | 3,633 | (42) | 5,110 | |

30.2 Liquidity risk

Although the Group has taken measures to ensure that it has adequate levels of working capital and liquidity, a drop in business volumes caused by the seasonality and cyclicity that characterise the exhibition business could affect its financial results and its ability to generate cash flow. The Group net debt at 31 December 2017 showed a significant improvement on the figure at 31 December 2016. This reflected a more favourable exhibition calendar and, in particular, the advances received from organisers to confirm their participation in events, as well as the general performance of the exhibition sector that is showing material and valid signs of a recovery.

Fiera Milano SpA risk management and its use of debt aim to guarantee an adequate level of liquidity, minimising the opportunity cost and maintaining a balance in terms of the duration and composition of debt. To cover the investments made, the Parent Company has transferred some of its current debt to medium/long-term debt.

As described in Note 22, the non-current loan granted by Banca Popolare di Milano SpA to the Parent Company on 6 December 2013, of which Euro 2.202 million is still outstanding, is subject to financial covenants that are measured annually. At 31 December 2017, these covenants had been met.

The credit lines currently existing with banks, together with forecast operating cash flows, are considered sufficient to cover short-term financial requirements despite the peaks in cash absorption that are concentrated in the months when there are no exhibitions and when financial requirements are covered using the funds available in the current account held with the controlling shareholder Fondazione Fiera Milano.

Maintaining the financial equilibrium of the Company is also dependent on attaining the targets of the Industrial Plan, as well as on the performance of the economy, forecasts for which necessitate an assessment of the outcome of future events and circumstances that by their very nature are uncertain.

The tables below give the breakdown of financial liabilities by maturity date and an estimate of the outstanding interest payable to maturity at 31 December 2016 and 31 December 2017.

Financial liabilities

(€'000)

| | Balance at 31/12/16 | 3 mths | 6 mths | 12 mths | 18 mths | 24 mths | 3 years | 5 years | >5 years |
|---|------------------------|---------------|--------------|---------------|---------------|--------------|------------|---------|-----------|
| Current bank borrowings | 45,542 | 23,610 | 7,942 | 13,990 | | | | | |
| Current interest payable | | 178 | 135 | 419 | | | | | |
| Other current financial liabilities | 3,364 | 850 | 1,678 | 836 | | | | | |
| Current interest payable | | | 15 | | | | | | |
| Non-current bank borrowings | 14,108 | | | | 11,860 | 1,744 | 504 | | |
| Non-current interest payable | | | | | 87 | 9 | 2 | | |
| Trade payables | 41,114 | 41,114 | | | | | | | |
| Other non-current financial liabilities | 42 | | | | | | | | 42 |
| Non-current interest payable | | | | | | | | | 11 |
| Total | 104,170 | 65,752 | 9,770 | 15,245 | 11,947 | 1,753 | 506 | | 53 |

Financial liabilities

(€'000)

| | Balance at 31/12/17 | 3 mths | 6 mths | 12 mths | 18 mths | 24 mths | 3 years | 5 years | >5 years |
|---|------------------------|---------------|--------------|--------------|--------------|--------------|----------|----------|-----------|
| Current bank borrowings | 17,252 | 5,605 | 7,776 | 3,871 | | | | | |
| Current interest payable | | 75 | 54 | 159 | | | | | |
| Other current financial liabilities | 729 | | | 729 | | | | | |
| Current interest payable | | 63 | 45 | 2 | | | | | |
| Non-current bank borrowings | 3,503 | | | | 1,998 | 1,505 | | | |
| Non-current interest payable | | | | | 22 | 9 | | | |
| Trade payables | 48,437 | 48,437 | | | | | | | |
| Other non-current financial liabilities | 42 | | | | | | | | 42 |
| Non-current interest payable | | | | | | | | | 9 |
| Total | 69,963 | 54,180 | 7,875 | 4,761 | 2,020 | 1,514 | - | - | 51 |

30.3 Market risk

The Group reserves the right to use appropriate hedging instruments if market risks become significant.

a) Interest rate risk

The Company has access to credit lines at competitive rates and is able to manage interest rate fluctuations. Moreover, the Company constantly monitors market conditions in order to intervene promptly should conditions change.

Notes 18 and 23 give the composition of non-current and current bank borrowings.

The tables below give interest rate sensitivity analyses that show the effect of a +0.5% and a -0.5% change in interest rates on financial income and expenses, equity and on profit or loss for the 2016 and 2017 financial years.

| (€'000) | Total at 31/12/16 | Balance * (debt) | Income (expense) | Rate | +0.5% | -0.5% |
|---|----------------------|---------------------|---------------------|-------|---------|-------|
| Current accounts | 20,791 | 24,968 | 113 | 0.45% | 237 | (12) |
| Current loans to joint venture | 2,622 | 1,640 | 32 | 1.95% | 40 | 24 |
| Bank overdrafts | (18,019) | (10,199) | (95) | 0.93% | (146) | (44) |
| Current account | (1,627) | (6,039) | (107) | 1.77% | (137) | (77) |
| Current and non-current bank borrowings | (41,631) | (39,314) | (1,021) | 2.60% | (1,216) | (823) |
| Other current and non-current financial liabilities | (1,779) | (1,829) | (11) | 0.60% | (20) | (2) |

* average for the financial year

| (€'000) | Total at 31/12/17 | Balance * (debt) | Income (expense) | Rate | +0.5% | -0.5% |
|---|----------------------|---------------------|---------------------|-------|-------|-------|
| Current accounts | 17,876 | 24,814 | 109 | 0.44% | 233 | (15) |
| Current loans to joint venture | 2,109 | 2,464 | 37 | 1.50% | 49 | 25 |
| Current account with the controlling shareholder | 700 | (9,594) | (157) | 1.64% | (205) | (109) |
| Bank overdrafts | (42) | (10,011) | (81) | 0.81% | (131) | (31) |
| Current and non-current bank borrowings | (20,713) | (32,181) | (708) | 2.20% | (869) | (547) |
| Other current and non-current financial liabilities | (771) | (775) | (6) | - | - | - |

* average for the financial year

b) Exchange rate risk

The Group operates in different markets worldwide and, therefore, is exposed to market risks from fluctuations in exchange rates.

As in the previous financial year, this risk remained relatively insignificant despite the Group presence in international markets. This is because the Group has no financing in foreign currencies and the exchange rate risk of the foreign activities is limited as the business in each country has costs and revenues that are in the same currency. The risk is mainly related to intragroup transactions for debits that are part of cost sharing agreements, which give rise to exchange rate risk in the company whose functional currency differs from that in which the intragroup transaction is denominated.

c) Risk of movements in raw material prices

The Group has limited exposure to the risk of changes in raw material prices. It normally has more than one supplier for any material considered critical and in some cases has long-term contracts that ensure lower price volatility.

31) Disclosure on guarantees given, undertakings and other potential liabilities

Guarantees given

These totalled Euro 6.635 million and the breakdown was as follows:

- Euro 3.202 million for the guarantee given by Fiera Milano Congressi SpA to the Tax Authority to offset VAT as part of the Group payment;
- BRZ (Brazilian real) 7.700 million, equivalent to Euro 1.938 million, for the guarantee given by the Parent Company to Banco BNP Paribas Brasil SA on behalf of the subsidiary Cipa FM to cover the bank loans given by the bank;
- Euro 0.924 million for the guarantee given by the Parent Company to Conserva Holding Srl on behalf of the subsidiary Nolostand SpA for the obligations under the lease agreement for a warehouse;
- Euro 0.543 million million for guarantees given under lease agreements of the subsidiaries Nolostand SpA, Fiera Milano Congressi SpA and Fiera Milano Media SpA;
- Euro 0.028 million for other guarantees.

Potential liabilities

The Parent Company is involved in several legal disputes. Although the outcome of these disputes is currently uncertain, the legal consultant charged with calculating the liability should all the disputes have adverse outcomes has put the figure at approximately Euro 0.500 million.

INCOME STATEMENT

REVENUES

32) Revenues from sales and services

Revenues from sales and services were Euro 271.327 million (Euro 221.041 million at 31 December 2016).

The breakdown of revenues was as follows:

Revenues from sales and services

| | (€'000) | | |
|---|----------------|----------------|---------------|
| | 2017 | 2016 | Change |
| Exhibitor fees | 79,813 | 33,644 | 46,169 |
| Sales of exhibition space | 67,682 | 73,494 | (5,812) |
| Rental of stands, fittings and equipment | 43,039 | 48,854 | (5,815) |
| Catering and canteen services | 22,805 | 19,605 | 3,200 |
| Revenues from exhibition and congress organisation services | 20,708 | 10,833 | 9,875 |
| Advertising space and services | 10,948 | 10,970 | (22) |
| Exhibition site services | 7,217 | 6,890 | 327 |
| Miscellaneous fees and royalties | 4,448 | 4,835 | (387) |
| Supplementary exhibition services | 4,386 | 2,622 | 1,764 |
| Exhibition insurance services | 2,746 | 2,440 | 306 |
| Administrative, telephone and internet services | 2,459 | 2,441 | 18 |
| Access surveillance and customer care services | 2,261 | 2,316 | (55) |
| Ticket office sales | 1,857 | 591 | 1,266 |
| Congress organisation | 811 | 1,021 | (210) |
| Multimedia and on-line catalogue services | 147 | 485 | (338) |
| Total | 271,327 | 221,041 | 50,286 |

The increase in revenues was mainly attributable to the more favourable exhibition calendar that, in the financial year under review, included the directly organised biennial exhibitions held in uneven-numbered years Host, Tuttofood and Sicurezza and those of the hosted exhibitions Made Expo and Lamiera. This was, in part, offset by the absence of revenues from the important hosted biennial exhibition Mostra Convegno Expocomfort held in even-numbered years.

The increase in congress and event revenues was mainly due to the ERS (European Respiratory Society) International Congress held in the MiCo Congress Centre and the supply of related services.

The decrease in the rental of stands, fittings and equipment mainly reflected a decrease in business generated outside the exhibition sites and the absence of the contracts for dismantling the Expo 2015 structures that were present in the previous financial year.

Revenues from sales and services included Euro 0.212 million (Euro 0.077 million at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

OPERATING COSTS

33) Costs of materials

These were Euro 3.228 million (Euro 2.281 million at 31 December 2016).

The breakdown was as follows:

| Cost of materials | (€'000) | | |
|---|--------------|--------------|------------|
| | 2017 | 2016 | Change |
| Subsidiary materials and consumables | 2,346 | 1,669 | 677 |
| Printed materials, forms and stationery | 770 | 441 | 329 |
| Raw materials | 109 | 124 | (15) |
| Finished goods and packaging | 18 | 11 | 7 |
| Change in inventories of raw materials | (5) | 37 | (42) |
| Uses of provisions | (10) | (1) | (9) |
| Total | 3,228 | 2,281 | 947 |

The increase in the entry for subsidiary materials and consumables was due to the different type of stands built and the higher number of single use wood structures erected by NoloStand SpA.

The increase in printed forms, materials and stationery was caused by the higher business volumes for the biennial exhibitions held in uneven-numbered years and directly organised by the Parent Company.

This entry included Euro 0.055 million (Euro 0.001 million at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

34) Costs for services

These totalled Euro 148.279 million (Euro 121.423 million at 31 December 2016).

The breakdown was as follows:

| Cost of services | (€'000) | | |
|--|----------------|----------------|---------------|
| | 2017 | 2016 | Change |
| Equipment hire | 21,027 | 20,205 | 822 |
| Catering services | 18,300 | 15,221 | 3,079 |
| Stands and equipment for exhibitions | 18,132 | 20,469 | (2,337) |
| Spese per eventi Italia | 14,871 | 1,780 | 13,091 |
| Technical, legal, commercial and administrative services | 11,238 | 8,367 | 2,871 |
| Advertising | 10,307 | 7,766 | 2,541 |
| Energy costs | 8,826 | 8,765 | 61 |
| Maintenance | 7,553 | 8,304 | (751) |
| Cleaning and waste disposal | 6,167 | 4,880 | 1,287 |
| Security and gate services | 5,631 | 5,177 | 454 |
| Insurance | 3,206 | 3,301 | (95) |
| Telephone and internet expenses | 2,427 | 2,154 | 273 |
| IT services | 2,086 | 1,714 | 372 |
| Ticketing | 1,984 | 1,822 | 162 |
| Transport | 1,921 | 1,475 | 446 |
| Change in suspended costs for future exhibitions | 1,844 | (3,783) | 5,627 |
| Technical assistance and ancillary services | 1,505 | 1,383 | 122 |
| Conference and congress services | 440 | 884 | (444) |
| Remuneration of Statutory Auditors | 252 | 230 | 22 |
| Collateral events connected to exhibitions | 141 | 243 | (102) |
| Expenses for statutory bodies | 17 | 31 | (14) |
| Other | 11,951 | 11,526 | 425 |
| Uses of provisions | (1,547) | (491) | (1,056) |
| Total | 148,279 | 121,423 | 26,856 |

Costs of services mainly included costs for managing the exhibition sites during the setting up, running, and dismantling of exhibitions and congresses.

The figure increased by Euro 26.856 million, compared to the figure at 31 December 2016, due to higher business volumes reflecting the cyclical nature of the exhibition calendar.

The increase in costs for services was also due to higher costs in the Parent Company for consultancy services to upgrade the corporate procedures and the Model under Legislative Decree 231/2001, and to costs incurred to launch new exhibitions and to reposition Bit.

There was also an increase in costs for events in Italy that was for the destination management services of Mico DMC Srl for the ERS Congress and the exhibition, Host.

The entry includes Euro 1.905 million (Euro 1.350 million at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

35) Cost of use of third-party assets

This entry totalled Euro 49.868 million (Euro 49.837 million at 31 December 2016) and the breakdown was as follows:

Cost of use of third-party assets

| | (€'000) | | |
|--|---------------|---------------|-----------|
| | 2017 | 2016 | Change |
| Rent and expenses for exhibition sites | 45,742 | 46,023 | (281) |
| Other rental expenses | 4,460 | 4,531 | (71) |
| Vehicle hire | 553 | 563 | (10) |
| Lease of company division | 241 | 140 | 101 |
| Office equipment and photocopier hire | 46 | 60 | (14) |
| Uses of provisions | (1,174) | (1,480) | 306 |
| Total | 49,868 | 49,837 | 31 |

The item, rent and expenses for exhibition sites, included the rent of Euro 45.574 million payable to the controlling shareholder Fondazione Fiera Milano. The rent payable for the **fieramilano** exhibition site incorporates the repayment recognised by Fondazione Fiera Milano due to the unavailability of areas in this exhibition site when they were used by Expo 2015. Other rental expenses included Euro 1.950 million under the lease agreement for the Palazzo Italia in Berlin and Euro 1.839 million of rent payable for the warehouses used by Nolostand SpA.

The total rental costs for the Rho and Milan exhibition sites and for the MiCo Congress Centre for the following periods are:

- 2018: Euro 46.330 million;
- 1 – 5 years: Euro 180.683 million;
- beyond 5 years: Euro 22.077 million.

The entry includes Euro 45.576 million (Euro 45.891 million at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

36) Personnel costs

These totalled Euro 48.860 million (Euro 44.101 million at 31 December 2016) and the breakdown was as follows:

| Personnel expenses | (€'000) | | |
|--------------------------------------|---------------|---------------|--------------|
| | 2017 | 2016 | Change |
| Salaries | 33,555 | 29,441 | 4,114 |
| Social Security payments | 10,260 | 9,408 | 852 |
| Redundancy incentives | 1,604 | 2,208 | (604) |
| Defined contribution plan charges | 1,496 | 1,464 | 32 |
| Directors' remuneration | 1,366 | 1,460 | (94) |
| External and temporary employees | 564 | 389 | 175 |
| Seconded employees from subsidiaries | 519 | 425 | 94 |
| Defined benefit plan charges | 425 | 449 | (24) |
| Other expenses | 1,025 | 1,008 | 17 |
| Uses of provisions | (1,954) | (2,151) | 197 |
| Total | 48,860 | 44,101 | 4,759 |

Salaries, remuneration and related social security contributions rose mainly due to an increase in the variable component of remuneration in the Parent Company and the number of employees taken on as part of the organisational restructuring of the corporate governance area.

The entry includes Euro 0.132 million (Euro 0.170 million at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

The breakdown of the average number of employees (including those on fixed-term contracts) was as follows:

Breakdown of personnel by category

| | 2017 | 2016 | Change |
|---|------------|------------|-------------|
| Managers | 33 | 38 | (5) |
| Middle managers and white collar workers | 709 | 745 | (36) |
| <i>of which equity accounted companies:</i> | | | |
| <i>Managers</i> | 2 | 2 | - |
| <i>Middle managers and white collar workers</i> | 59 | 59 | - |
| Total personnel | 742 | 783 | (41) |

37) Other operating expenses

This entry totalled Euro 5.398 million (Euro 4.222 million at 31 December 2016) and the breakdown was as follows:

| Other operating expenses | (€'000) | | |
|--|--------------|--------------|--------------|
| | 2017 | 2016 | Change |
| Doubtful receivables | 2,669 | 2,153 | 516 |
| Other taxes | 2,316 | 1,996 | 320 |
| Taxes other than income tax | 782 | 454 | 328 |
| Contributions and donations | 604 | 490 | 114 |
| Copyright royalties (SIAE) | 336 | 283 | 53 |
| Balancing item from closure of prior year accounts | 200 | 62 | 138 |
| Capital losses from tangible asset | 200 | 17 | 183 |
| Municipal tax on advertising | 168 | 259 | (91) |
| Gifts and promotional merchandise | 116 | 75 | 41 |
| Other expenses | 819 | 600 | 219 |
| Uses of provisions | (2,812) | (2,167) | (645) |
| Total | 5,398 | 4,222 | 1,176 |

The entry includes Euro 0.221 million (Euro 0.746 million at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

38) Other income

Other income was Euro 2.604 million (Euro 3.216 million at 31 December 2016) and the breakdown was as follows:

| Other income | (€'000) | | |
|---|--------------|--------------|--------------|
| | 2017 | 2016 | Change |
| Other recovered costs | 1,069 | 1,334 | (265) |
| Office rent and expenses | 436 | 460 | (24) |
| Recovery of expenses for seconded employees | 217 | 230 | (13) |
| Insurance indemnities | 145 | 566 | (421) |
| Capital gains on non-current assets | 14 | 4 | 10 |
| Other income | 723 | 622 | 101 |
| Total | 2,604 | 3,216 | (612) |

The entry includes Euro 0.807 million (Euro 1.380 million at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

39) Results for the period from associates and joint ventures accounted using the equity method

This entry totalled Euro 2.603 million (Euro 1.259 million at 31 December 2016). Euro 3.269 million was from the investment in the joint venture with Deutsche Messe AG and a negative figure of Euro 0.666 million from that in Ipack-Ima Srl.

40) Provisions for doubtful receivables and other provisions

These totalled Euro 5.841 million (Euro 5.477 million at 31 December 2016).

Changes in these provisions are shown in the following table:

Write down of doubtful receivables and other provisions

| | (€'000) | | |
|------------------------------------|--------------|--------------|------------|
| | 2017 | 2016 | Change |
| Disputes with personnel | 5,142 | 1,987 | 3,155 |
| Write-down of doubtful receivables | 972 | 1,312 | (340) |
| Other disputes | 357 | 109 | 248 |
| Reorganisation of personnel | 250 | - | 250 |
| Palazzo Italia project | 241 | 1,029 | (788) |
| Losses on future exhibitions | - | 1,564 | (1,564) |
| Write-back of provisions | (1,121) | (524) | (597) |
| Total | 5,841 | 5,477 | 364 |

Notes 12, 19 and 26 provide further details on movements in risk provisions.

41) Depreciation and amortisation

Depreciation of property, plant and machinery

This was Euro 4.295 million (Euro 4.409 million at 31 December 2016).

Details of depreciation are provided in the Notes to the Accounts under the entry for property, plant and equipment.

The entry includes a negative figure of Euro 0.025 million (a negative figure of Euro 0.030 million at 31 December 2016) for use of part of the risk provisions for the depreciation of the Palazzo Italia.

The entry includes depreciation of leased property, plant and machinery.

Amortisation of intangible assets

This was Euro 2.539 million (Euro 3.989 million at 31 December 2016).

Details of amortisation are given in the Notes to the Accounts under the entry for intangible assets with a finite useful life.

42) Impairment charges

These totalled Euro 2.854 million (Euro 12.771 million at 31 December 2016).

The breakdown is given in the following table:

Adjustments to asset values

| | (€'000) | | |
|--|--------------|---------------|----------------|
| | 2017 | 2016 | Change |
| Impairment of exhibition trademarks and publications | 2,768 | 11,948 | (9,180) |
| Write-downs of Property, Plant and Equipment | 86 | - | 86 |
| Impairment of goodwill on acquisitions | - | 823 | (823) |
| Total | 2,854 | 12,771 | (9,917) |

Comments on the adjustments to asset values may be found in Notes 4 and 7.

43) Financial income and similar

These totalled Euro 0.429 million (Euro 0.576 million at 31 December 2016) and the breakdown was as follows:

Financial income and similar

| | (€'000) | | |
|---|------------|------------|--------------|
| | 2017 | 2016 | Change |
| Interest income on bank deposits | 109 | 113 | (4) |
| Exchange rate gains | 42 | 336 | (294) |
| Other financial income associates | 37 | 32 | 5 |
| Interest income from cautionary deposits related to the rent of the exhibition site | 10 | 21 | (11) |
| Interest income on receivables from the controlling shareholder | 2 | 4 | (2) |
| Other financial income | 229 | 70 | 159 |
| Total | 429 | 576 | (147) |

This entry includes Euro 0.049 million (Euro 0.057 million at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

44) Financial expenses and similar

These totalled Euro 1.203 million (Euro 1.561 million at 31 December 2016) and the breakdown was as follows:

| | Financial expenses and similar (€'000) | | |
|--|--|--------------|--------------|
| | 2017 | 2016 | Change |
| Interest payable on bank accounts | 801 | 1,116 | (315) |
| Interest payable on the current account with the controlling shareholder Fondazione Fiera Milano | 157 | 107 | 50 |
| Charges on discounting defined benefit plans | 121 | 201 | (80) |
| Exchange rate losses | 73 | 117 | (44) |
| Other financial expenses | 68 | 72 | (4) |
| Uses of provisions | (17) | (52) | 35 |
| Total | 1,203 | 1,561 | (358) |

This entry includes Euro 0.158 million (Euro 0.107 million at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

45) Income tax

Income taxes were Euro 2.860 million (a positive figure of Euro 5.305 million at 31 December 2016) and was mainly due to the use of deferred tax assets.

The breakdown was as follows:

| | Income tax (€'000) | | |
|---------------------|--------------------|----------------|--------------|
| | 2017 | 2016 | Change |
| Current income tax | 590 | (3,561) | 4,151 |
| Deferred income tax | 2,270 | (1,744) | 4,014 |
| Total | 2,860 | (5,305) | 8,165 |

The breakdown of current taxes at 31 December 2017 was as follows:

| Current income tax | (€'000) | | |
|---------------------------------|------------|----------------|--------------|
| | 2017 | 2016 | Change |
| Current income tax (IRAP) | 900 | (252) | 1,152 |
| Other current income tax | 226 | 31 | 195 |
| Expenses from tax consolidation | 519 | 431 | 88 |
| Income from tax consolidation | (1,055) | (3,771) | 2,716 |
| Total | 590 | (3,561) | 4,151 |

The higher tax figure primarily reflects the release of deferred taxes for tax losses that were offset by the taxable income generated in the financial year and an increase in current taxes.

This entry includes a charge of Euro 0.536 million (a charge of Euro 3.340 million at 31 December 2016) for related-party transactions. Note 49 provides further details on related-party transactions.

Starting in 2016, Fiera Milano SpA and some of its Italian subsidiaries opted to adhere to the tax consolidation of Fondazione Fiera Milano acting as the consolidating entity. This decision is binding for the 2016, 2017 and 2018 financial years.

The negative item from the tax consolidation is the sum payable to Fondazione Fiera Milano for the theoretical IRES tax charge on the taxable amount transferred to the consolidating entity net of tax losses carried forward that predated the tax consolidation agreement and of ACE (*Aiuto per la Crescita Economica*) relief.

The positive item from the tax consolidation is the sum recognised by Fondazione Fiera Milano for the use of the IRES tax losses generated in the financial period under review that offset the IRES tax liability that was included in the tax consolidation.

Other current income tax includes that payable by the foreign companies of the Group.

Deferred taxes totalled Euro 2.270 million and was the balance of deferred tax assets (Euro 2.764 million) and deferred tax liabilities (Euro 0.494 million).

The change in the deferred tax assets was mainly due to the release of deferred taxes recognised in previous financial years together with the tax losses used to offset the taxable income generated in the year under review by Fiera Milano SpA. This was, in part, offset by the recognition of pre-paid taxes for provisions that are deductible in future financial periods.

The change in deferred tax liabilities was mainly due to the use of tax provisions made in previous financial periods for impairment charges to trademarks and for amortisation and depreciation that were used in the period under review.

A breakdown of pre-paid tax assets and deferred tax liabilities is given in the following table:

Deferred income taxes

(€'000)

| | 31/12/16 | Recognised in the Income Statement | Recognised in equity | Exchange rate effect | 31/12/17 |
|--|---------------|---|-------------------------|-------------------------|---------------|
| Deferred tax assets | | | | | |
| Excess amortisation, depreciation and write-downs | 1,832 | 227 | - | (198) | 1,861 |
| Provisions for risks and charges | 1,887 | (264) | - | - | 1,623 |
| Doubtful receivables | 1,928 | (607) | - | - | 1,321 |
| Tax losses carried forward | 10,668 | (3,039) | - | - | 7,629 |
| Costs for share capital increase | 166 | - | (55) | - | 111 |
| Other temporary differences | 2,276 | 919 | (12) | (135) | 3,048 |
| Total | 18,757 | (2,764) | (67) | (333) | 15,593 |
| Deferred tax liabilities | | | | | |
| Goodwill amortisation and deferred taxes on acquisition of intangible assets | 17,772 | (743) | - | 3 | 17,032 |
| Other temporary differences | 830 | 249 | 1 | (270) | 810 |
| Total | 18,602 | (494) | 1 | (267) | 17,842 |
| Net deferred income taxes | 155 | (2,270) | (68) | (66) | (2,249) |
| <i>of which: Deferred tax assets</i> | 3,678 | | | | 976 |
| <i>Deferred tax liabilities</i> | 3,523 | | | | 3,225 |

Reconciliation of theoretical and effective corporation tax charge (IRES)

(€'000)

| | |
|---|--------------|
| Consolidated profit/(loss) before income tax | 4,598 |
| Percentage applicable for corporation income tax (IRES) | 24.0% |
| Theoretical IRES tax charge (corporation income tax) | 1,104 |
| Difference between theoretical and effective tax charges: | |
| Non-deductible operating expenses | 811 |
| Effective IRES tax charge | 1,915 |

Reconciliation of theoretical and effective corporation tax charge (IRAP)

| | (€'000) |
|---|--------------|
| EBIT | 5,372 |
| Personnel expenses | 48,860 |
| Consolidated taxable base for purposes of IRAP | 54,232 |
| Statutory rate applicable for corporation income tax (IRAP) | 3.9% |
| Theoretical IRAP tax charge (corporation income tax) | 2,115 |
| Difference between theoretical and effective tax charges: | |
| Tax wedge | (1,339) |
| Other | 169 |
| Effective IRAP tax charge | 945 |

46) Results for the year from discontinued operations

The results for the year from discontinued operations of the Group was zero at 31 December 2017 compared to a loss of Euro 4.176 million in the previous financial year when the figure included the results of the Chinese subsidiaries Worldex and Haikou Worldex, which were divested in April 2017.

47) Net result attributable to the shareholders of the controlling entity

The Group net profit at 31 December 2017 was Euro 1.637 million compared to a net loss of Euro 22.794 million at 31 December 2016.

48) Earnings/losses per share

In the 2017 financial year, earnings per share were Euro 0.0231 compared to a loss per share of Euro 0.2611 in the financial year to 31 December 2016; the figures were calculated by dividing the net result by the weighted average number of Fiera Milano SpA shares outstanding in the period.

| | 2017 | 2016 |
|---|--------|----------|
| Profit/(loss) (€'000) | 1,637 | (18,584) |
| Average no. of shares in circulation ('000) | 70,979 | 71,175 |
| Basic earnings/(losses) per issued share (€) | 0.0231 | (0.2611) |
| Earnings/(losses) per fully diluted no. of shares (€) | 0.0231 | (0.2611) |

The value used as the numerator to calculate basic earnings (losses) per share and fully diluted earnings (losses) per share was net profit of Euro 1.637 million in the financial year to 31 December 2017 (a net loss of Euro 18.584 million in the financial year to 31 December 2016).

The weighted average number of ordinary shares used to calculate basic earnings (losses) per share and fully diluted earnings (losses) per share, with a reconciliation of the two figures is shown in the following table:

| ('000) | 2017 | 2016 |
|--|--------|--------|
| Weighted average no. of shares used for calculation of EPS | 70,979 | 71,175 |
| + Potential no. of shares issued without payment | - | - |
| Weighted average no. of shares used to calculate diluted EPS | 70,979 | 71,175 |

In the financial period under review, no financial instruments were issued, including shares that could potentially be issued and that could dilute future basic earnings per share, and there have been no transactions involving the ordinary shares or ordinary shares to be issued in the future since the end of the reporting period.

49) Related-party transactions

Transactions carried out by companies that are part of the Fiera Milano Group with other entities of the Group and with other related parties were done at market conditions.

As part of its corporate governance, Fiera Milano SpA has adopted *Procedures for Related-party Transactions* as described in the *Report on corporate governance and ownership structure*, which forms part of the Board of Directors' Management Report in these Financial Statements.

The commercial relations between the companies of Fiera Milano Group concern the organisation and management of exhibitions and other events managed by the Group. Fiera Milano SpA provides administrative services to some subsidiaries in order to optimise the use of personnel and professional competences and also provides communication services to subsidiaries in order to ensure a uniform Group image.

In the Statement of Financial Position, the Statement of Comprehensive Income and the Statement of Cash Flows, the amounts for related-party positions or transactions, if material, are shown separately. Given the total amount of statement of financial position and income statement items, Fiera Milano Group has decided that Euro 2.000 million is the material threshold above which separate disclosure must be made in the Statement of Financial Position and Euro 1.000 million is that for separate disclosure in the Income Statement.

Detailed information on related-party transactions is provided below and is divided between related-party transactions with the controlling shareholder Fondazione Fiera Milano and transactions with related parties that are not consolidated.

Related-party transactions with the controlling shareholder Fondazione Fiera Milano

Recurring related-party transactions are summarised below.

I. Real estate lease agreements with Fiera Milano SpA

As described below, on 31 March 2014 new lease agreements were signed for the exhibition sites of Rho and Milan. These contracts were effective from the second semester of 2014.

On 18 January 2003, Fiera Milano SpA signed a lease agreement with Fondazione Fiera Milano for the Rho exhibition site. The same agreement established the terms of the lease for the Milan City site, giving an effective date of 1 January 2006 in the contracts for both exhibition areas.

Initially cancellation of the contracts had to be notified eighteen months prior to the expiry of the contracts on 31 December 2014. On 31 March 2014, new rental agreements for the exhibition sites of Rho and Milan were signed. The new rental agreements are for nine years effective from 1 July 2014 (following the agreed early termination of the existing lease agreements due to expire on 31 December 2014) and are automatically renewable for a further nine years.

Under the rental agreement for the Rho exhibition site, compared to the previous agreement that was valid until 30 June 2014, the rent was reduced by Euro 2.000 million in the second semester of 2014 and by Euro 14.000 million for the full-year 2015 and for each subsequent year of the agreement. Therefore, the rent was Euro 24.400 million for the second semester of 2014 and Euro 38.800 million from 2015 and for each subsequent year of the agreement annually adjusted for 100% of the change in the ISTAT consumer price index.

In 2017, due to the temporary unavailability of parts of the exhibition site when they were used by Expo 2015, Fondazione Fiera Milano, once it had been paid by Expo 2015, gave Fiera Milano SpA a one-off rent reduction of Euro 0.532 million.

For the Milan City exhibition site, the parties agreed to maintain the existing rent of Euro 2.850 million per annum, annually adjusted for 100% of the change in the ISTAT consumer price index.

As the transaction was a transaction of greater importance under Article 5 of the Regulation on Related-party Transactions and of Article 10.2 of the *Procedures for Related-party Transactions* adopted by the Company, it was carried out under the *Procedures for Related-party Transactions* and, on 21 March 2014, an Information Document for a related-party transaction of greater importance ("Information Document OPT") was published.

To ensure that market conditions applied, the rental agreements were prepared by the parties also using valuations prepared for Fiera Milano SpA by an independent expert.

II. Real estate lease agreement with Fiera Milano Congressi SpA

On 24 January 2000, Fondazione Fiera Milano signed a contract with Fiera Milano Congressi SpA, valid until 31 December 2012, relating to the availability of part of Pavilion 17 in the Milan City site. On 15 March 2005, this contract was updated to reflect the expansion of the congress centre activities hosted in Pavilion 17 of the Milan City site. The new agreement between the controlling shareholder Fondazione Fiera Milano and Fiera Milano Congressi SpA was valid until 30 June 2011 and renewable until 30 June 2017. Fondazione Fiera Milano, in a letter dated 9 February 2016, chose not to cancel the contract by 30 June 2016 and, therefore, the contract was automatically renewed until 30 June 2023.

Under the existing contract, Fiera Milano Congressi SpA pays an annual fixed rent plus a variable component based on reaching a specific level of revenues.

The annual fixed rent for Pavilion 17 of the Milan City site, now known as MiCo North Wing, is Euro 0.350 million (adjusted annually for movements in ISTAT) whilst the variable component of the rent is 5% of any revenues above Euro 15.000 million generated by the subsidiary Fiera Milano Congressi SpA.

On 18 May 2009, Fondazione Fiera Milano signed a preliminary contract with Fiera Milano Congressi SpA for the use of Pavilions 5 and 6 in the Milan City site; this area was used to build the new congress centre that was inaugurated in May 2011 and that together with the congress areas of Pavilion 17 was called MiCo – Milano Congressi. The final lease agreement for the area known as MiCo – Milano Congressi South Wing (the former pavilions 5 and 6) was agreed in 2012 and lasts for nine years from 1 May 2011. The contract is automatically renewable for a further nine years unless terminated by one of the parties. The annual fixed rent is Euro 3.000 million with a variable component of 5% of revenues realised by Fiera Milano Congressi SpA in the centre that exceeded the revenue targets in its 2011–2014 industrial plan. The rent is adjusted annually by an amount equal to 100% of the change in the ISTAT index for the previous year. Under the contract there was a reduction in the full rent for the first four years of the contract. The rent for the first year was fixed at Euro 0.750 million with the rent rising annually by Euro 0.750 million in the following three years to reach the agreed full rent of Euro 3.000 million per annum. Once the full quota of the fixed rent was reached, no variable component of rent was payable for Pavilions 5 and 6 and none has been paid since 2015.

III. Settlement of Group VAT

Taking advantage of the facility provided by Presidential Decree (DPR) 633/72, from 1 January 2002, Fiera Milano SpA chose to follow the procedures, managed by the controlling shareholder, Fondazione Fiera Milano, for settlement of Group VAT. This mechanism makes it easier to settle any tax obligations, without the Company incurring additional costs.

IV. Group tax consolidation with the controlling shareholder Fondazione Fiera Milano

In 2016, Fiera Milano SpA and some of the Italian subsidiaries did not renew the option to participate in the tax consolidation of Fiera Milano SpA and opted instead to participate in the tax consolidation of Fondazione Fiera Milano acting as the consolidating entity. This option is binding for the 2016, 2017 and 2018 financial years.

The rule, adopted under the tax consolidation of Fondazione Fiera Milano, provides that the tax losses of the consolidated companies, generated in each of the years that the option is valid, may be utilised to offset the taxes in the same financial year of the companies participating in the tax consolidation, after the tax losses of Fiera Milano SpA and the consolidating entity have been calculated; compensation for the tax losses of the companies consolidated are repaid for the amount of the effective benefit generated by the tax consolidation.

V. Contract for supply of services

Fiera Milano SpA has an annual contract with Fondazione Fiera Milano for the reciprocal supply of services, which arise from or are necessary for the exercise of their respective activities. The contract is renewed annually unless cancelled by a written agreement between the parties.

The contract provides for the reciprocal supply of two kinds of services: *i)* services of a general nature, which fall within the range of activities of the entity providing them, supplied to the buyer on a continuous and systematic basis; *ii)* specific services, or services provided on request and relating to specific activities to be agreed from time to time between the buyer and the supplier, also on the basis of appropriate offers/estimates. The service supply contract is governed by market conditions.

VI. Licence contracts for use of the Fiera Milano brand

On 17 December 2001, Fondazione Fiera Milano, as owner of the “Fiera Milano” brand granted Fiera Milano SpA an exclusive licence for the use of the said brand name in order to typify its own activities, also through its use on headed paper, on its commercial material, and to differentiate its headquarters and offices. The licence has been granted for Italy and all countries and locations where the brand name has been or will be registered or lodged.

The symbolic consideration paid by Fiera Milano SpA to Fondazione Fiera Milano was Euro 1.0. Fondazione Fiera Milano, having as its corporate objective the development of the exhibition sector, has maintained Fiera Milano as part of its name and did not include it in the business division “Exhibition Management Activity” contributed to the Parent Company in 2001, but with the expectation that Fiera Milano SpA would use the said brand name for an extended period of time and without incurring further costs for its use.

This licence is valid until 31 December 2018.

VII. Current account between Fiera Milano SpA and Fondazione Fiera Milano

On 24 June 2016, effective from 1 July 2016, a new contract for the current account was agreed. The contract expires on 31 December of each year and is automatically renewed unless one of the parties cancels by 30 September preceding the date of expiry.

Under the existing contract, by mutual consent the parties agreed to cancel the previous current account before replacing it with a new current account.

The parties use the account to settle receipts and payments under the contracts existing between them, in particular the rental payments for the exhibition sites and the services provided by each party to the other; initially the account was subject to interest of 1-month Euribor plus a spread of 1.75% that was changed to 1-month Euribor plus a spread of 1.50% effective from 1 July 2017.

Credits for invoices issued by the parties will accrue interest sixty days from the end of the month in which the invoice is issued although the interest may not be collected and will remain unavailable until the current account is closed, except for invoices that are overdue by more than 180 days which are always payable immediately.

Invoices for the rent of the exhibition sites are part of the agreement but carry interest and are payable under the specific terms of the rental contracts. The balance of any invoices that are overdue by at least 180 days, together with the balance of the invoices for the leasing contracts on the exhibition sites that are due under the terms of the relevant contracts, represent the collectable balance.

Credits that are not due for repayment are not included in the current account.

The party for which the overdue credit or debit balance exceeds Euro 5 million has the right to request payment of the balance, or to pay the balance. Where a request for payment has been made, the amount of the payment must be settled within 15 working days of the date of the said request.

The current account is closed and all interest paid every quarter.

Related-party transactions with joint ventures

On 19 April 2017, Hannover Milano Global Germany GmbH, a joint venture between Fiera Milano SpA and Deutsche Messe AG, approved the 2016 Financial Statements and also approved a dividend distribution of Euro 5.550 million. The amount attributable to Fiera Milano Group was Euro 2.254 million, which was received on 9 October 2017.

On 21 February 2016, Fiera Milano SpA and Ipack-Ima Srl, a company in joint venture with UCIMA, signed an annual financing agreement for a maximum of Euro 3.000 million that is automatically renewed; the interest rate on the financing is 1.50%. At 31 December 2017, the amount of the financing given totalled Euro 2.100 million.

Ipack-Ima Srl also has commercial relations with the Group for the two exhibitions (Ipack-Ima and Meat-Tech) organised by the Company to be held in 2018.

Transactions with other related parties

Transactions with other related parties are part of the normal business activity and are carried out at market conditions.

The main transactions are:

- a non-current financial liability for the ten-year loan given to MiCo DMC Srl by AIM Group International SpA, which expires on 6 May 2025 and carries interest at 3%; AIM Group International SpA is part of the destination management services project;
- costs for services payable to Ediser Srl, the minority shareholder of La Fabbrica del Libro SpA, for professional and support services for the exhibition Tempo di Libri.

Financial, capital and economic transactions with related-parties that are not consolidated are shown in the following table:

Related party entries in the Statement of Financial Position and Income Statement in the financial year to 31 December 2017

| (€'000) | Trade and other non-current receivables | Trade and other receivables | Inventories | Current financial assets | Other non-current financial liabilities | Trade payables | Advances | Other current financial liabilities | Other current liabilities | Revenues from sales and services | Cost for materials | Cost of services | Cost of use of third-party assets | Personnel Expenses | Other operating expenses | Other income | Financial income and similar | Financial expenses and similar | Income tax |
|--|---|-----------------------------|--------------|--------------------------|---|----------------|---------------|-------------------------------------|---------------------------|----------------------------------|--------------------|------------------|-----------------------------------|--------------------|--------------------------|--------------|------------------------------|--------------------------------|--------------|
| Controlling shareholder and other Group companies | | | | | | | | | | | | | | | | | | | |
| Fondazione Fiera Milano | 11,598 | 7,037 | | 700 | | | | | 987 | 60 | | 1,230 | 45,574 | 15 | 221 | 596 | 12 | 157 | (536) |
| Companies under joint control | | | | | | | | | | | | | | | | | | | |
| Ipack Ima Srl | | 135 | 2 | 2,109 | | | 1,776 | | 492 | 138 | | 188 | 2 | 111 | | 211 | 37 | | |
| Other related parties | | | | | | | | | | | | | | | | | | | |
| Ediser Srl | | | 1 | | | | | | 17 | 14 | 55 | 417 | | 6 | | | | | |
| AIM Group International SpA | | | | | 42 | 85 | | 37 | | | | 70 | | | | | | | 1 |
| Total related parties transactions | 11,598 | 7,172 | 3 | 2,809 | 42 | 85 | 1,776 | 37 | 1,496 | 212 | 55 | 1,905 | 45,576 | 132 | 221 | 807 | 49 | 158 | (536) |
| Total reported | 11,687 | 46,277 | 3,485 | 2,809 | 42 | 48,437 | 43,057 | 729 | 23,334 | 271,327 | 3,228 | 148,279 | 49,868 | 48,860 | 5,398 | 2,604 | 429 | 1,203 | 2,860 |
| % Rel. party transactions/ Total reported | 99% | 15% | - | 100% | 100% | - | 4% | 5% | 6% | - | - | 1% | 91% | - | 4% | 31% | 11% | 13% | -19% |

Information on the remuneration paid to the Administrative and Control Bodies, to the General Managers and to Executives with strategic responsibilities in the financial year to 31 December 2017 is given in the table included in the section below on other information.

Statement of related party cash flow

| | (€'000) | |
|---|-----------------|-----------------|
| | 2017 | 2016 |
| Cash flow from operating activities | | |
| Revenues and income | 1,019 | 1,457 |
| Costs and expenses | (47,889) | (48,158) |
| Interest receivable | 49 | 56 |
| Interest payable | (158) | (107) |
| Losses/income from tax consolidation | 536 | 3,340 |
| Changes in trade and other receivables | 1,652 | (2,959) |
| Change in other current liabilities | (311) | (2,164) |
| Total | (45,102) | (48,535) |
| Cash flow from investment activities | | |
| Investments in non-current activities | | |
| . Tangible and intangible | - | - |
| . Other non-current assets | - | - |
| Total | - | - |
| Cash flow from financing activities | | |
| Change in financial (assets)/liabilities | (2,653) | (17,153) |
| Total | (2,653) | (17,153) |
| Cash Flow in the period | (47,755) | (65,688) |

The table below shows cash flow from related party transactions:

| | Cash flow from operating activities | Cash flow from investing activities | Cash flow from financing activities |
|----------------------------|--|--|--|
| FY to 31.12.17: | | | |
| Total | 35,561 | 656 | (40,686) |
| Related party transactions | (45,102) | - | (2,653) |
| FY to 31.12.16: | | | |
| Total | (25,521) | (2,459) | (6,373) |
| Related party transactions | (48,535) | - | (17,153) |

50) Other information

Material non-recurring events and transactions

In the financial year under review, there were no material non-recurring transactions or events under Consob Communication of 28 July 2006.

Transactions relating to atypical and/or unusual operations

In compliance with Consob Communication of 28 July 2006, it is stated that no unusual and/or atypical operations were carried out in 2017 as defined in the aforementioned Communication.

Judicial administration

On 28 September 2017, the Milan Court – Prevention Court Independent Section lifted the judicial administration order. This followed the lifting of a similar order on the subsidiary Nolostand SpA on 20 June 2017.

Together with the Court-Appointed Administrator, the Company implemented a series of initiatives to improve, rectify and establish new rules to ensure more effective and secure business management with new working methodologies and models. There was a significant focus on the procedures and controls for the Model under Legislative Decree 231/01 with the introduction of a new Supervisory Committee, new Group procedures and a new system governing the management of suppliers and procurement contracts.

The judicial administration order for the stand-fitting business division of the Company had been imposed on 11 October and was extended on 27 January 2017.

Significant events after the end of the reporting period

On 19 February 2018, Fiera Milano SpA approved a Euro 0.800 million payment for a future capital increase to strengthen the capital of the Brazilian subsidiary, Eurofairs International Consultoria e Participações Ltda.

Remuneration of the Administrative and Control Bodies, General Managers and Executives with strategic responsibilities

Executives with strategic responsibilities are those that have the power and responsibility, both direct and indirect, for the planning, management and control of the Group activities.

The Executives with strategic responsibilities are the Directors, the Statutory Auditors and the Chief Financial Officer of the Parent Company.

The total remuneration for this category of Executives was Euro 2.239 million at 31 December 2017 (Euro 1.805 million at 31 December 2016) and the breakdown was as follows:

| | (€'000) | | |
|---|------------|--------------------|--------------|
| | 2017 | | |
| | Directors | Statutory Auditors | Others |
| Short-term benefits | 815 | 190 | 489 |
| Post-employment benefits | 16 | - | 16 |
| Other non current benefits | - | - | - |
| Staff-leaving indemnities | - | - | 713 |
| Notional income from stock option plans | - | - | - |
| Total | 831 | 190 | 1,218 |

| | (€'000) | | |
|---|------------|--------------------|------------|
| | 2016 | | |
| | Directors | Statutory Auditors | Others |
| Short-term benefits | 925 | 182 | 644 |
| Post-employment benefits | 17 | - | 37 |
| Other non current benefits | - | - | - |
| Staff-leaving indemnities | - | - | - |
| Notional income from stock option plans | - | - | - |
| Total | 942 | 182 | 681 |

At 31 December 2017, the outstanding amount payable to this category was Euro 0.223 million (Euro 0.175 million at 31 December 2016).

Information under Article 149-duodecies of the Consob Listing Rules

The fees paid for the services provided by the independent audit firm in the 2017 financial year are shown in the following table.

| | | | (€'000) |
|---------------------|------------------|-----------------------------------|------------------------------|
| Service provided | Service provider | Client | Fees for financial year 2017 |
| Auditing | EY SpA | Parent Company - Fiera Milano SpA | 189 |
| | EY SpA | Subsidiaries | 167 |
| Other services (*) | EY SpA | Parent Company - Fiera Milano SpA | 58 |
| Other services (**) | Network EY | Parent Company - Fiera Milano SpA | 35 |
| Other services (*) | EY SpA | Subsidiaries | 32 |
| Total | | | 481 |

(*) Agreed upon procedures

(**) Other professional services related to environment, health and safety

Rho (Milan), 12 March 2018

On behalf of the Board of Directors
The Chairperson
Lorenzo Caprio

List of companies included in the consolidation area and other investments at 31 December 2017

Attachment 1

| Company name and registered office | Main activity | Share capital (000) (*) | Shareholding % | | | Shareholding of Group companies | |
|---|--|-------------------------|----------------|-------------------------------|---|---------------------------------|--|
| | | | Group total | Directly held by Fiera Milano | Indirectly held through other Group companies | % | |
| A) List of companies included in the area of consolidation | | | | | | | |
| Parent Company | | | | | | | |
| Fiera Milano SpA Milan, p.le Carlo Magno 1 | Organisation and hosting of exhibitions in Italy | 42,445 | | | | | |
| Fully consolidated companies | | | | | | | |
| Fiera Milano Media SpA Milan, p.le Carlo Magno 1 | Media services | 2,803 | 100 | 100 | | 100 | Fiera Milano SpA |
| Fiera Milano Congressi SpA Milan, p.le Carlo Magno 1 | Management of congresses | 2,000 | 100 | 100 | | 100 | Fiera Milano SpA |
| MiCo DMC Srl Milan, p.le Carlo Magno 1 | Management of congresses | 10 | 51 | | 51 | 51 | Fiera Milano Congressi SpA |
| La Fabbrica del Libro SpA Milan, p.le Carlo Magno 1 | Organisation of exhibitions in Italy | 120 | 51 | 51 | | 51 | Fiera Milano SpA |
| Nolostand SpA Milan, p.le Carlo Magno 1 | Stand fitting services | 7,500 | 100 | 100 | | 100 | Fiera Milano SpA |
| Ipac-Ima SpA Rho, S.S. del Sempione km 28 | Organisation of exhibitions in Italy | 200 | 100 | 100 | | 100 | Fiera Milano SpA |
| Eurofairs International Consultoria e Participações Ltda São Paulo Brasil, na Avenida Angélica, 2350, 12º andar, Sala B, Consolação | Organisation of exhibitions outside of Italy | R \$ 58,961 | 100 | 99.99 | | 99.99 | Fiera Milano SpA Nolostand SpA |
| CIPA Fiera Milano Publicações e Eventos Ltda São Paulo Brasil, na Avenida Angélica, 2491, 20º andar, conjuntos 203 e 204 | Organisation of exhibitions outside of Italy | R \$ 18,179 | 100 | 0.04 | | 99.96 | Eurofairs International Consultoria e Participações Ltda Fiera Milano SpA |
| Fiera Milano India Pvt Ltd New Delhi, Barakhamba Road, Connaught Place | Organisation of exhibitions outside of Italy | INR 20,000 | 99.99 | 99.99 | | 99.99 | Fiera Milano SpA |
| Limited Liability Company "Fiera Milano" Moscow, 24 A/1 ul. B. Cherkizovskaya | Organisation of exhibitions outside of Italy | RUB 10,000 | 100 | 100 | | 100 | Fiera Milano SpA |
| Fiera Milano Exhibitions Africa Pty Ltd Cape Town, The Terraces, Steenberg Office Park, Tokai | Organisation of exhibitions outside of Italy | ZAR 0.6 | 100 | 100 | | 100 | Fiera Milano SpA |
| B) List of jointly controlled companies equity-accounted | | | | | | | |
| Hannover Milano Global Germany GmbH Hannover Germany, Messegelaende | Organisation of exhibitions outside of Italy | 25 | 49 | 49 | | 49 | Fiera Milano SpA |
| Hannover Milano Fairs Shanghai Co. Ltd Shanghai China, Pudong Office Tower | Organisation of exhibitions outside of Italy | USD 500 | 49 | | 100 | 100 | Hannover Milano Global Germany GmbH |
| Hannover Milano Fairs China Ltd Hong Kong China, Golden Gate Building | Organisation of exhibitions outside of Italy | HKD 10 | 49 | | 100 | 100 | Hannover Milano Global Germany GmbH |
| Hannover Milano Fairs India Pvt Ltd East Mumbai, Andheri | Organisation of exhibitions outside of Italy | INR 274,640 | 48.99 | | 99.99 | 99.99 | Hannover Milano Global Germany GmbH |
| Global Fairs & Media Private Ltd New Delhi, Bahadur Shah Zafar Marg 9-10 | Organisation of exhibitions outside of Italy | INR 207,523 | 24.5 | | 50 | 50 | Hannover Milano Fairs India Pvt Ltd |
| Ipac Ima Srl Rho, S.S. del Sempione km.28 | Organisation of exhibitions in Italy | 20 | 49 | | 49 | 49 | Ipac-Ima SpA |
| C) List of companies accounted at cost | | | | | | | |
| Esperia SpA Rose (Cosenza) | Other activities | 1,403 | 2 | | 2 | 2 | Fiera Milano Media SpA |
| Comitato Golden Card Cinisello Balsamo, viale Fulvio Testi 128 | Other activities | 3 | 33.33 | 33.33 | | 33.33 | Fiera Milano SpA |
| Covention Bureau Italia Srl Firenze, piazza Adua 1 | Other activities | 8 | 2 | | 2 | 2 | Fiera Milano Congressi SpA |

(*) Euro or other currencies as specifically indicated

Declaration relating to the Financial Statements in accordance with Article 154-bis, paragraph 5 of Legislative Decree of 24 February 1998, no. 58

1. The undersigned, Fabrizio Curci, as Chief Executive Officer, and Sebastiano Carbone, as Manager responsible for preparing the Financial Statements of Fiera Milano SpA, having noted the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree of 24 February 1998, no. 58, attest to:
 - the appropriateness in relation to the characteristics of the business and
 - the effective application of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements for the year to 31 December 2017.
2. In 2017, due to the administration orders imposed on the subsidiary Nolostand SpA and on the stand-fitting business division of the Parent Company Fiera Milano SpA, which were lifted on 20 June 2017 and 28 September 2017 respectively, the actions of the Company have also focused on upgrading some corporate procedures, including those for procurement and the purchasing cycle. The evaluation process of the adequacy of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements at 31 December 2017 took account of these circumstances in identifying the periodic monitoring activities.
3. It is also declared that:
 - 3.1 the Consolidated Financial Statements at 31 December 2017:
 - have been prepared in accordance with the applicable international accounting standards recognised by the European Union in accordance with EC Regulation no. 1606/2002 of the European Parliament and of the European Council of 19 July 2002;
 - correspond to the results contained in the accounting records and documents;
 - provide a true and correct representation of the capital, economic and financial situation of the Issuer and of the entities included in the consolidation.
 - 3.2 the report on operations includes a reliable analysis of the trend and results of operations and the situation of the Issuer and of the entities included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

12 March 2018

Signed by

The Chief Executive Officer
Fabrizio Curci

Signed by

**The Manager responsible for preparing
the Company's Financial Statements**
Sebastiano Carbone



Report of the Board of Statutory Auditors for the Consolidated Financial Statements at 31 December 2017

Dear Shareholders,

The 2017 Consolidated Financial Statements of Fiera Milano S.p.A. were communicated to us under the provisions of prevailing law, together with the Board of Directors' Management Report. They have been prepared in accordance with the International Financial Reporting Standards - IFRS - issued by the International Accounting Standards Board (IASB) and adopted by the European Union, and in accordance with the provisions of Article 9 of Legislative Decree of 28 February 2005 no.38.

In accordance with relevant enacted law, our work has involved verifying the correctness and completeness of the information in the documents that form part of the Consolidated Financial Statements and the Board of Directors' Management Report for the year to 31 December 2017. The responsibility for verifying that the Consolidated Financial Statements conform to the law, under Legislative Decree of 27 January 2010 no 39 and Article 41, paragraph 2 of Legislative Decree of 9 April 1991 no. 127 was given to the audit firm Ernst & Young. Our assessment was carried out in accordance with the code of conduct for Boards of Statutory Auditors issued by the *Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri* [National Councils of Chartered Accountants and Bookkeepers] and covered in particular:

- verifying the existence within the organisational structure of Fiera Milano S.p.A. of a department responsible for relations with subsidiaries and associate companies;
- examining the structure of the Group and the shareholdings in order to evaluate how the area of consolidation should be identified and how it had changed since the previous financial year; there have been no significant changes compared to the previous financial year;
- obtaining information on the activities of subsidiaries and on any significant economic, financial and capital transactions within the Group through information received from the Directors of Fiera Milano S.p.A., the independent Audit Firm, and from the Boards of Statutory Auditors of the subsidiaries of which some members of the Parent Company Board of Statutory Auditors are also members.

In compliance with these standards, we have adhered to the legal requirements governing the preparation of the Consolidated Financial Statements:

Following the assessment of the Consolidated Financial Statements, we declare that:

- the definition of the area of consolidation and the consolidation standards used by those companies within this area conform to IFRSs;
- the requirements of law governing the preparation and methodology of the Financial Statements and the Board of Directors' Management Report have been met;
- we monitored the adequacy of the instructions given by the relevant departments of Fiera Milano S.p.A. to obtain the necessary data for the consolidation and reviewed the information supplied by the subsidiaries that are subject to the legal controls of their respective Boards of Statutory Auditors;
- the Statement of Financial Position is consistent with the facts and information that has come to the knowledge of the Board of Statutory Auditors in carrying out its monitoring responsibilities and using its control and inspection powers;

- the Supplementary and Explanatory Notes to the Consolidated Financial Statements give the information required by paragraph 134 of IAS 36 – *Impairment of Assets*, application of which was included in the Banca d'Italia/ CONSOB/ Isvap Document no. 4 of 3 March 2010. The Board of Statutory Auditors declares that it has examined the documents relating to the analyses and results of the impairment tests. The Board of Statutory Auditors believes that the procedure was correct and that the main valuation assumptions were reasonable and therefore agrees with the outcomes;
- the Board of Directors' Management Report for the Group is consistent with the figures and results in the Consolidated Financial Statements and gives wide-ranging information on the Group financial and economic performance and on the risks to which the Group is exposed, as well as on any significant events that took place in the financial year under review and subsequent to the year-end date and on the likely business outlook;
- The Chairperson of the Board of Directors and the Manager responsible for preparing the Company accounts have made the declaration required under Article 81-ter of CONSOB Regulation no. 11971/1999 and subsequent amendments and additions and under Article 154-bis of Legislative Decree 58/1998 (the Consolidated Finance Act).

We considered the area of consolidation, examined the consolidation standards and assessed the appropriateness of the valuation criteria.

In our opinion, the Consolidated Financial Statements as a whole give a correct view of the economic, financial and capital position of the Group for the year that ended on 31 December 2017.

We have met with the Audit Firm to discuss the checks that it was required to carry out in preparing its Report.

On 28 March 2018, the independent Audit Firm released its report under Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EU) No. 537/2014, which states that the Consolidated Financial Statements at 31 December 2017 conform to the IFRSs and to the provisions of Article 9 of Legislative Decree no. 38/2005, and have been prepared in a clear manner and give a true and fair view of the financial and capital situation, the income statement and the cash flows of the Fiera Milano Group for that financial year.

Milan, 28 March 2018

The Board of Statutory Auditors

Ms Federica Nolli

Mr Antonio Guastoni

Mr Carmine Pallino

Independent Auditors' Report



EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Fiera Milano S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Fiera Milano Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of Fiera Milano S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00 sottoscritto e versato Euro 3.100.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta all'Albo Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matter:

| Key Audit Matter | Audit Response |
|---|--|
| <p>Evaluation of goodwill and intangible assets with definite useful life</p> | <p>At December 31, 2017 the carrying amount of goodwill and intangible assets with definite useful life was euro 94,2 million and euro 12,5 million, respectively, which were allocated to the Group's Cash Generating Units (CGUs). In 2017, the Company recorded an impairment of intangible assets with definite useful life for euro 2,8 million. The recoverable amount of goodwill is periodically tested for impairment (impairment test) at least annually at the end of the reporting period, or more often, if there is any indication of impairment. Intangible assets with definite useful life, which are being depreciated, are tested for impairment only when there is an indication of impairment. The processes and methodologies to evaluate and determine the recoverable amount of the CGUs, in terms of value in use, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the cash flow forecasts for the period covered by the 2018-2022 Group business plan, the normalized cash flows used to estimate terminal value and the discount rate and long term growth rates applied. Considering the materiality of the carrying amount of such assets and the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of goodwill and of intangible assets with definite useful life, we have determined that this area constitutes a key audit matter. The Company included disclosures related to the nature and the main assumptions used for impairment test in note 6 "Goodwill" and note 7 "Intangible assets with definite useful life".</p> <p>Our audit procedures relating to this key audit matter included, among others: (i) understanding the procedure and the key controls implemented by the Group to evaluate goodwill and intangible asset with definite useful life; (ii) validating the CGUs perimeter and the allocation of the carrying value of asset and liabilities to the CGUs; (iii) reviewing of the report of the external experts who supported the Management in performing the impairment test, including the valuation of their competence, capabilities and objectivity; (iv) assessing the significant assumptions underlying the cash flow projections, the determination of the weighted average cost of capital, the discount rate and the long-term growth rates used in defining the terminal value, and performing sensitivity analyses; (v) assessing the variance of actual results from the previous forecasts assumed by the Group; (vi) verifying the mathematical correctness of the calculation of the impairment test; (vii) verifying the consistency of the forecast of future cash flows of the CGUs with the group business plan for the period 2018-2021. In performing our audit procedures we also involved our valuation specialists who assisted us in the assessment of assumptions and methodology utilized by the Group and independently performed their own calculations and sensitivity analyses of key assumptions.</p> <p>Lastly, we reviewed the adequacy of the disclosures made in the notes to the consolidated financial statements relating to evaluation of goodwill and intangible assets with definite useful lives.</p> |



Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Company or to cease trading, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;



- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Fiera Milano S.p.A., in the general meeting held on 29 April 2014 engaged us to perform the audits of the separate and consolidated financial statements for of the years ending 31 December 2014 to 31 December 2022.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.



Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Fiera Milano S.p.A. are responsible for the preparation of the Management Report and of the Report on Corporate Governance and Ownership Structure of Fiera Milano Group as at 31 December 2017 including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Management Report and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Fiera Milano Group as at 31 December 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Management Report and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Fiera Milano Group as at 31 December 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

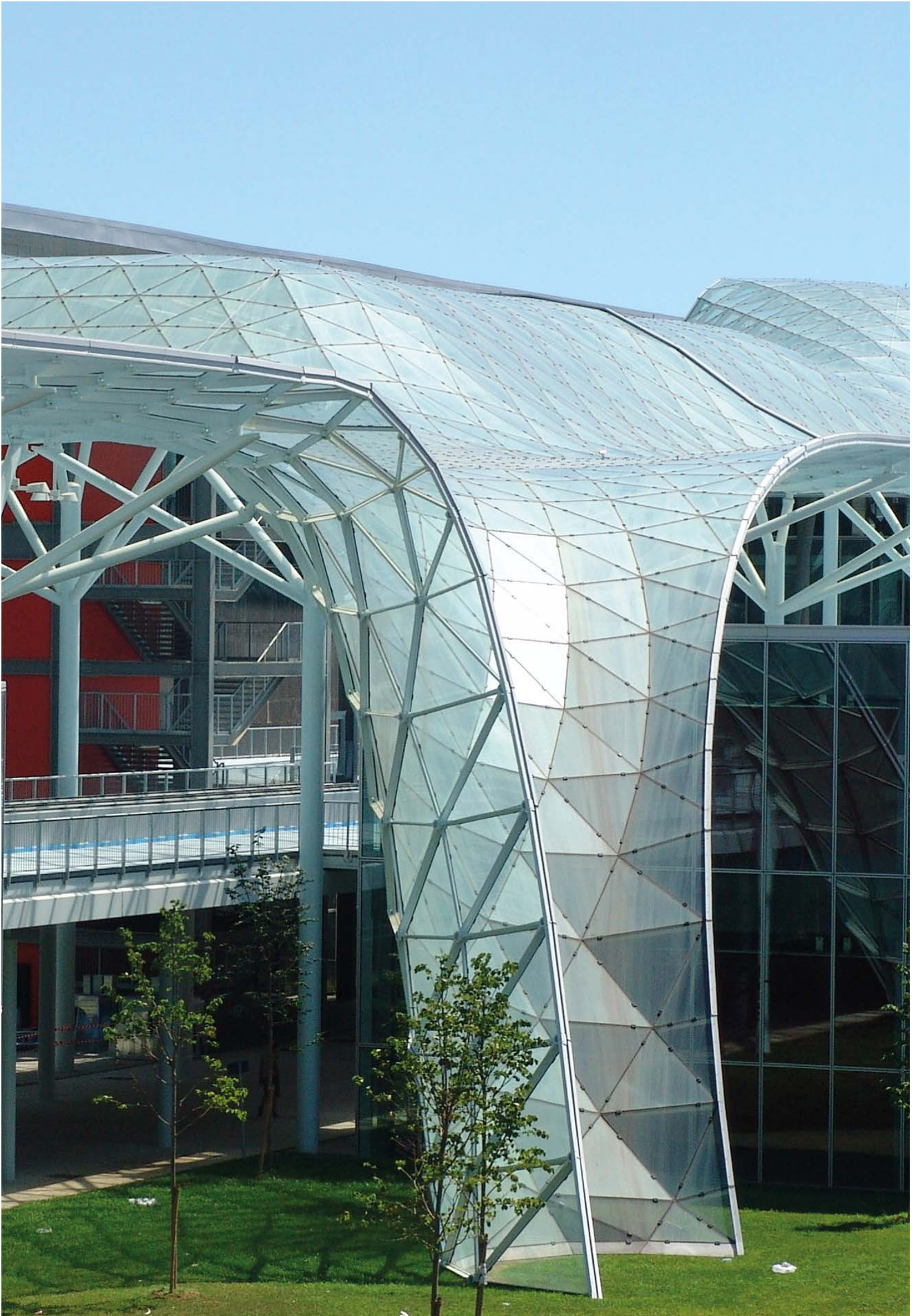
The Directors of Fiera Milano S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, 28 March 2018

EY S.p.A.
Signed by: Federico Lodrini, Partner

This report has been translated into the English language solely for the convenience of international readers.



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Fiera Milano SpA Statement of Financial Position

(euro)

| notes | | 31/12/17 | 31/12/16 |
|-------|---|--------------------|--------------------|
| | ASSETS | | |
| | Non-current assets | | |
| 2-42 | Property, plant and equipment | 3,652,712 | 3,677,920 |
| | Leased property, plant and equipment | - | - |
| | Investments in non-core property | - | - |
| 3 | Goodwill | 70,144,099 | 70,144,099 |
| 4 | Intangible assets with a finite useful life | 7,168,733 | 10,070,125 |
| 5 | Investments | 52,983,696 | 57,827,948 |
| | Other financial assets | - | - |
| 6 | Trade and other receivables | 11,679,965 | 12,469,181 |
| 42 | of which from related parties | 11,598,151 | 11,861,629 |
| 7 | Deferred tax assets | 899,632 | 3,041,040 |
| | Total | 146,528,837 | 157,230,313 |
| | Current assets | | |
| 8 | Trade and other receivables | 31,615,664 | 33,865,767 |
| 42 | of which from related parties | 9,813,894 | 10,289,341 |
| 9-42 | Inventories | 2,233,246 | 4,467,106 |
| | Contracts in progress | - | - |
| 10 | Current financial assets | 6,773,043 | 6,084,518 |
| 42 | of which from related parties | 6,773,043 | 6,084,518 |
| 11 | Cash and cash equivalents | 7,690,696 | 11,982,917 |
| | Total | 48,312,649 | 56,400,308 |
| | Assets held for sale | | |
| 12 | Assets held for sale | - | 2,750,000 |
| | Total | - | 2,750,000 |
| | Total assets | 194,841,486 | 216,380,621 |
| | EQUITY AND LIABILITIES | | |
| 13 | Equity | | |
| | Share capital | 41,644,917 | 41,644,917 |
| | Share premium reserve | 10,298,693 | 35,667,706 |
| | Revaluation reserve | - | - |
| | Other reserves | 8,489,028 | 8,489,028 |
| | Retained earnings | 2,724 | (154,269) |
| | Profit/(loss) for the year | (863,987) | (25,159,579) |
| | Total | 59,571,375 | 60,487,803 |
| | Non-current liabilities | | |
| | Bonds in issue | - | - |
| 14 | Bank borrowings | 3,502,804 | 14,108,114 |
| | Other financial liabilities | - | - |
| 15 | Provision for risks and charges | 528,443 | 1,998,103 |
| 16 | Employee benefit provisions | 4,967,181 | 5,003,497 |
| | Deferred tax liabilities | - | - |
| | Other non-current liabilities | - | - |
| | Total | 8,998,428 | 21,109,714 |
| | Current liabilities | | |
| | Bonds in issue | - | - |
| 17 | Bank borrowings | 16,605,237 | 44,068,430 |
| 18 | Trade-payables | 27,893,518 | 19,839,126 |
| 19-42 | Advances | 38,880,471 | 34,669,952 |
| 20 | Other financial liabilities | 2,676,381 | 4,364,582 |
| 42 | of which to related parties | 2,676,381 | 4,314,049 |
| 21 | Current provision for risks and charges | 5,015,540 | 3,865,509 |
| 22 | Current tax liabilities | 1,282,171 | 904,991 |
| 23 | Other current liabilities | 33,918,365 | 27,070,514 |
| 42 | of which to related parties | 15,091,062 | 16,178,763 |
| | Total | 126,271,683 | 134,783,104 |
| | Liabilities held for sale | | |
| | Liabilities held for sale | - | - |
| | Total | - | - |
| | Total liabilities | 194,841,486 | 216,380,621 |

Fiera Milano SpA Statement of Comprehensive Income

(euro)

| notes | | 2017 | 2016 restated * |
|-------|---|--------------------|---------------------|
| 27 | Revenues from sales and services | 219,541,848 | 173,421,414 |
| 42 | <i>of which with related parties</i> | 5,897,449 | 4,513,745 |
| | Total revenues | 219,541,848 | 173,421,414 |
| 28-42 | Cost of materials | 870,580 | 505,784 |
| 29 | Cost of services | 120,381,635 | 100,613,172 |
| 42 | <i>of which with related parties</i> | 38,683,323 | 33,122,787 |
| 30 | Cost of use of third-party assets | 43,511,410 | 43,551,434 |
| 42 | <i>of which with related parties</i> | 42,132,045 | 42,483,200 |
| 31-42 | Personnel expenses | 35,692,264 | 32,245,498 |
| 32-42 | Other operating expenses | 4,991,265 | 3,518,878 |
| | Total operating expenses | 205,447,154 | 180,434,766 |
| 33 | Other income | 5,697,926 | 5,229,661 |
| 42 | <i>of which with related parties</i> | 4,564,464 | 3,985,416 |
| 34 | Provisions for doubtful receivables and other provisions | 4,901,286 | 5,241,292 |
| | EBITDA | 14,891,334 | (7,024,983) |
| 35 | Depreciation of property, plant and equipment | 1,136,047 | 1,312,148 |
| | Depreciation of property investments | - | - |
| 35 | Amortisation of intangible assets | 1,815,359 | 2,721,043 |
| 36 | Adjustments to asset values | 1,534,436 | 3,332,862 |
| | EBIT | 10,405,492 | (14,391,036) |
| 37 | Financial income and similar | 2,680,849 | 6,363,579 |
| 42 | <i>of which with related parties</i> | 2,437,158 | 6,288,250 |
| 38-42 | Financial expenses and similar | 851,668 | 1,190,596 |
| 39 | Valuation of financial assets | (9,776,721) | (19,520,867) |
| | Profit/(loss) before tax | 2,457,952 | (28,738,920) |
| 40 | Income tax | 3,321,939 | (3,579,341) |
| 42 | <i>of which with related parties</i> | 479,881 | (3,236,626) |
| | Profit/(loss) from continuing operations | (863,987) | (25,159,579) |
| | Profit/(loss) from discontinued operations | - | - |
| 41 | Profit/(loss) for the year | (863,987) | (25,159,579) |
| | Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss | | |
| | Revaluation of defined benefit schemes | 3,584 | (202,985) |
| | Tax effects | 860 | (48,716) |
| | Other comprehensive income/(loss) net of related tax effects | 2,724 | (154,269) |
| | Total comprehensive income/(loss) for the year | (861,263) | (25,313,848) |

* Starting with the Financial Statements at 31 December 2017, operating profitability will be calculated as EBITDA. The figures in the Financial Statements at 31 December 2016 that show a figure for gross operating profit have been restated to reflect this change. The difference between EBITDA and gross operating profit is that the latter does not include Provisions for doubtful receivables and other provisions.

Fiera Milano SpA Statement of Cash Flows

| | (euro) | |
|---|---------------------|---------------------|
| notes | 2017 | 2016 restated * |
| Net cash at beginning of year | 11,982,917 | 42,971,750 |
| Cash flow from operating activities | | |
| 11 Net cash from operating activities | 40,145,380 | (22,167,606) |
| 42 <i>of which with related parties</i> | (68,288,369) | (62,299,887) |
| 24 Interest paid | (913,274) | (1,735,803) |
| 24 Interest received | 528,970 | 460,004 |
| Income taxes paid | (2,491,728) | - |
| Total | 37,269,348 | (23,443,405) |
| Cash flow from investing activities | | |
| 2-42 Investments in tangible assets | (1,140,956) | (881,168) |
| 2 Write-downs of tangible assets | 17,083 | 2,659 |
| 4 Investments in intangible assets | (448,404) | (2,374,587) |
| 5 Acquisition of investments | (31,669) | (63,290) |
| 5 Subsidiary company share capital transactions | (4,822,050) | (3,599,345) |
| 37 Dividends received | 2,254,103 | 6,006,359 |
| 12 Assets held for sale | 2,750,000 | - |
| Total | (1,421,893) | (909,372) |
| Cash flow from financing activities | | |
| 13 Equity | - | (464,382) |
| 14-24 Non-current financial liabilities | (10,605,310) | 3,135,378 |
| 10 Current financial assets | (767,275) | (5,135,005) |
| 17-20-30 Current financial liabilities | (28,767,090) | (4,172,047) |
| 42 <i>of which with related parties</i> | (2,326,193) | (12,960,039) |
| Total | (40,139,675) | (6,636,056) |
| Cash flow for the period | (4,292,221) | (30,988,833) |
| Net cash from assets held for sale | - | - |
| Net cash at the end of year | 7,690,696 | 11,982,917 |

* Some figures in the Statements of Cash Flow at 31 December 2016 have been restated for comparative purposes to reflect the accounting under IAS 7.

Cash generated from operating activities

| | (euro) | |
|---|-------------------|---------------------|
| | 2017 | 2016 restated * |
| Result including non-operating activities | (863,987) | (25,159,579) |
| Adjustments for: | | |
| Depreciation and Amortisation | 2,951,406 | 4,033,191 |
| Provisions, write-downs and impairment | 6,435,722 | 8,574,154 |
| Valuation of financial activities | 9,776,721 | 19,520,867 |
| Capital gains and losses | (12,088) | (2,505) |
| Financial income | (2,254,103) | (6,006,359) |
| Net change in employee provisions | (32,732) | (991,827) |
| Changes in deferred taxes | 2,085,383 | 28,460 |
| Inventories | 2,233,860 | (3,269,254) |
| Trade and other receivables | 2,404,920 | 11,098,651 |
| Trade payables | 8,054,392 | (7,015,838) |
| Pre-payments | 4,210,519 | 3,125,034 |
| Tax payables | 2,868,908 | (3,117,326) |
| Provisions for risks and charges and other liabilities (excluding payables to Organisers) | (2,798,385) | (17,983,118) |
| Payables to Organisers | 5,084,844 | (5,002,157) |
| Total | 40,145,380 | (22,167,606) |

* Some figures in the Statements of Cash Flow at 31 December 2016 have been restated for comparative purposes to reflect the accounting under IAS 7.

Fiera Milano SpA Statement of Changes in Equity

(Euro)

| Note 13 | Share capital | Share premium reserve | Other reserves | Retained earnings | Profit/(loss) for the financial year | Total |
|--|-------------------|-----------------------|------------------|---------------------|--------------------------------------|-------------------|
| Balance at 31 December 2015 | 41,818,383 | 65,679,470 | - | (19,712,226) | (1,456,384) | 86,329,243 |
| Loss for the year covered by: | | | | | | |
| - Legal reserve | - | (8,489,028) | 8,489,028 | - | - | - |
| - Share premium reserve | - | (21,168,610) | - | 19,712,226 | 1,456,384 | - |
| Treasury shares | (173,466) | (290,916) | - | - | - | (464,382) |
| Expenses related to the share capital increase | - | (63,210) | - | - | - | (63,210) |
| Remeasurement of defined benefit plans | - | - | - | (154,269) | - | (154,269) |
| Total comprehensive income/(loss) for the financial year at 31.12.16 | - | - | - | - | (25,159,579) | (25,159,579) |
| Balance at 31 December 2016 | 41,644,917 | 35,667,706 | 8,489,028 | (154,269) | (25,159,579) | 60,487,803 |
| Loss for the year covered by: | | | | | | |
| - Legal reserve | - | - | - | - | - | - |
| - Share premium reserve | - | (25,313,848) | - | 154,269 | 25,159,579 | - |
| Expenses related to the share capital increase | - | (55,165) | - | - | - | (55,165) |
| Remeasurement of defined benefit plans | - | - | - | 2,724 | - | 2,724 |
| Total comprehensive income/(loss) for the financial year at 31.12.17 | - | - | - | - | (863,987) | (863,987) |
| Balance at 31 December 2017 | 41,644,917 | 10,298,693 | 8,489,028 | 2,724 | (863,987) | 59,571,375 |

Explanatory and Supplementary Notes to the Financial Statements

On 12 March 2018, the Board of Directors approved the Fiera Milano SpA Financial Statements at 31 December 2017 and authorised their publication.

Fiera Milano SpA, as Parent Company of the Group, has also prepared the Consolidated Financial Statements at 31 December 2017.

Fiera Milano SpA and its subsidiaries are active in all the characteristic areas of the exhibition industry and the Company is one of the largest integrated companies in this sector worldwide.

The Company business consists of hosting exhibitions, fairs and other events, promoting and making available equipped exhibition spaces, as well as offering support for projects and related services. This includes the business of staging exhibitions (and providing final services to exhibitors and visitors).

The business of the Company has dual seasonality: (i) a higher concentration of exhibitions in the six months from January to June; (ii) exhibitions that have a multiannual frequency.

1) Accounting standards and criteria used to prepare the Financial Statements

1.1 Standards used to prepare the Financial Statements

The Financial Statements were prepared in accordance with IAS and IFRS accounting standards in force at 31 December 2017, issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and the relative interpretative documents and provisions of Article 9 of Legislative Decree no. 38/2005.

The accounting standards used to prepare the present Financial Statements are the same as those used to prepare the Financial Statements at 31 December 2016, except for those applicable from 1 January 2017 that are described below.

Given the capital and financial position in the 2017 financial year, the financial forecasts in the budget and in the 2018-2021 Industrial Plan, approved by the Board of Directors on 15 December 2017 and 19 February 2018, the forecasts for working capital requirements and for the financial and capital position, the Financial Statements have been prepared on the principles of a going concern.

The Financial Statements are prepared in Euros and all figures are rounded to the nearest thousand Euros unless otherwise indicated. The Financial Statements give comparative data for the previous financial year. To ensure that the figures are comparable some of the figures for the previous financial year have been restated.

In the 2017 financial year, no atypical and/or unusual transactions took place.

The risks and uncertainties affecting the Company business are described in the Board of Directors' Management Report in the section on Risk factors affecting Fiera Milano Group, in Note 25 of the Explanatory and Supplementary Notes, and in paragraph 1.5 on the Use of Estimates.

The present Financial Statements have been audited by the independent audit firm EY SpA.

1.2 New accounting standards, interpretations and amendments adopted

The Company has adopted for the first time some accounting standards and amendments that are applicable to financial periods beginning on or after 1 January 2017.

The contents and effect of each new accounting standard and amendment is given below:

- Amendment to IAS 7 – *Statement of Cash Flows*
- The amendments to IAS 7 are part of the wider Disclosure Initiative project. Paragraph 44A was added to the standard. This requires an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from financing cash flows and changes in financial assets. Entities are not required to provide comparative information. The new disclosure requirement in paragraph 44A is provided by a statement of reconciliation between the opening and closing balances of liabilities arising from financing activities in the statement of financial position.

- Amendment to IAS 12 – *Income taxes*

The amendments regard the recognition and measurement of deferred tax assets (DTAs). Under the amendment:

- DTAs must be recognised for the deductible temporary difference between the fair value and tax base on fixed rate debt instruments that are not deemed to be impaired (applicable to Available for Sale instruments);
- deductible temporary differences must be compared to future taxable profits of the same type.

The amendments to the IAS/IFRS above had no significant effect on the Financial Statements at 31 December 2017.

The following amendments to the accounting standards were approved by the European Union during 2017 but are not applicable to the 2017 Financial Statements:

- IFRS 9 – Financial Instruments

In July 2014, the IASB published the final version of IFRS 9 – Financial Instruments that replaces IAS 39 – Financial Instruments: Recognition and Measurement and supersedes all previous versions of IFRS 9. IFRS 9 brings together all the requirements for recognition and measurement, impairment and general hedge accounting of financial instruments. IFRS 9 is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted. With the exception of hedge accounting, the standard must be applied retrospectively although entities are not required to provide comparative information. Hedge effectiveness testing is prospective with some limited exceptions.

The Company will adopt the new standard for the 2018 financial year. In 2017, the Company carried out a preliminary analysis of the potential impact of all three aspects of IFRS 9. This preliminary analysis was based on information that was currently available and could be subject to change under more detailed analysis or as a result of data that may become available to the Company in 2018 when it adopts IFRS 9. However, the Company does not believe that adoption of this IFRS will have a significant effect on its Financial Statements.

On 12 September 2016, the IASB issued an amendment to IFRS 4 – Insurance Contracts that is linked to the application of IFRS 9.

- IFRS 15 – *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and introduced a five-step model to be applied to all revenues from contracts with customers. IFRS 15 specifies how and when revenue will be recognised for the amount to which the company expects to be entitled on the transfer of control of goods or services.

The new standard replaces all requirements on revenue recognition in other IFRSs. It is effective for financial periods beginning on or after 1 January 2018 and the Company will apply this standard from this date and use the full retrospective approach.

In 2017, the Company carried out a detailed analysis to identify and quantify the impact of the new accounting standard on revenue recognition. Given the portfolio composition and existing contracts at 31 December 2017, there could be significant potential effects on catering service and insurance service revenues that must be shown net of any attributable costs, resulting in a reduction of Euro 14.827 million in these revenues but with no impact on the EBITDA or net result for the period. There is no effect on the opening balance of equity at 1 January 2017 as these changes constitute a reclassification within the income statement.

- IFRS 16 - Leases

On 13 January 2016, the IASB published the new accounting standard IFRS 16 – Leases that replaces IAS 17 - Leases, 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 is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted as long as IFRS 15 – *Revenue from Contracts with Customers* has already been applied or will be applied on the same date that IFRS 16 is applied.

The current recognition of leases under IAS 17 has long been considered inadequate to satisfy the requirements of users of financial statements, in particular due to the lack of recognition of assets and liabilities deriving from these contracts. IFRS 16 introduces a single lessee accounting model that eliminates the distinction between operating leases and finance leases for a lessee. Therefore, all leases, with the exception of leases of low value assets and short-term leases must be accounted for on a single on-balance sheet model as the right of use for an asset and with a corresponding financial liability for the lease payments. Lessor accounting is substantially unchanged from the today's accounting under IAS 17.

As part of its activities, the Company uses exhibition sites and warehouses leased from the controlling shareholder Fondazione Fiera Milano and other third-parties. Given the material value of these contracts on the financial figures of the Financial Statements, the Company carried out a preliminary analysis on the impact of the application of the new accounting standard. This analysis showed there was a significant impact on the recognition of non-current assets and on non-current financial debt. In 2018, the Company will continue to study the potential impact of IFRS 16 on its Financial Statements.

- *Annual Improvements to IFRS Standards 2014-2016 Cycle*

This document, approved on 7 February 2018, introduced some minor amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards, IFRS 12 – Disclosure of Interests in Other Entities and IAS 28 – Investments in Associates and Joint Ventures and an interpretation of IFRIC 22 – Foreign Currency Transactions and Advance Consideration. Among the main improvements, the interpretation of IFRIC 22, which has yet to be approved, clarified the date to be used for translation when a foreign currency transaction involves an advance payment or receipt.

- Amendments to IFRS 2 – *Share-based Payment*

The amendments, issued on 20 June 2016 clarify the classification and measurement of share-based payment transactions. The amendments are effective from 1 January 2018 but early application is permitted.

The following accounting standards and amendments have still to be approved by the European Union and are not applicable to the 2017 Financial Statements:

- IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration

The interpretation was issued on 8 December 2016 and clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) of a non-monetary asset or a non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration.

The interpretation clarifies that the transaction date is the earlier of:

- the date on which the advance foreign currency consideration or part of it is recognised by the entity;
- and the date on which the related asset, expense or income (or part of it) is recognised (and the advance consideration is received/paid).

For multiple advance payments or receipts, each separate advance payment or receipt gives rise to a transaction date.

- Amendment to IAS 40 – Transfers of Investment Property

The amendment, issued on 8 December 2016, clarifies when an entity should transfer property into or out of investment property. The amendment is applicable for financial periods beginning on or after 1 January 2018. Early application is permitted.

- IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of recognition and measurement requirements under IAS 12 – Income Taxes . The interpretation does not apply to taxes or levies outside the scope of IAS 12 nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation is applicable for financial periods beginning on or after 1 January 2019 and provides a choice of two transition approaches. The Company will apply the interpretation from the applicable date.

1.3 Form and content of the Financial Statements

With regard to the form and content of the Financial Statements, Fiera Milano SpA has made the following choices:

- the Statement of Financial Position is presented with separate sections for Assets, Liabilities, and Equity. Assets and liabilities are also classified as current, non-current, and held for sale;
- the Statement of Comprehensive Income is shown as a single statement in a continuous format and items are analysed by nature since this approach provides reliable information that is more relevant than classification by function. Starting with the Financial Statements at 31 December 2017, the Company has chosen to use EBITDA to measure operating profitability. The Financial Statements at 31 December 2016, which used gross operating profit as the intermediary profit level, have been restated to reflect the different classification. The difference between EBITDA and gross operating profit is that the entry, provisions for doubtful receivables and other provisions, is not included in gross operating profit;
- the Statement of Cash Flows is presented using the indirect method;
- the Statement of Changes in Equity is presented with separate entries for comprehensive income and transactions with shareholders.

1.4 Summary of accounting standards and valuation criteria

Business combinations

Business combinations are accounted for by applying the purchase method in accordance with IFRS 3 – *Business Combinations* revised in 2008. Under this method the transaction cost of a business combination is valued at fair value, determined as the aggregate of the fair value of the assets transferred and the liabilities assumed by the Company at the acquisition date and equity instruments issued for control of the acquired entity. All other costs associated with the transaction are expensed in the Statement of Comprehensive Income at their acquisition date value.

Contingent considerations, considered part of the acquisition consideration, must be measured at fair value at the time of the business combination. Subsequent changes to the fair value are recognised in the Statement of Comprehensive Income.

The identifiable assets acquired and the liabilities assumed are measured at fair value at the acquisition date.

Goodwill is measured as the difference between the aggregate of the acquisition-date fair value of the consideration transferred for the business combination, the amount of any non-controlling interest and the acquisition date fair value of any previously held equity interest in the acquiree and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference between the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the consideration transferred for the business combination, the amount of any non-controlling interest and the acquisition-date fair value of any previously held equity interest in the acquiree, the excess sum is immediately recognised in the Statement of Comprehensive Income as income from the transaction.

In measuring the fair value of business combinations, the Company uses available information and, for more material business combinations, also uses the support of external valuations.

Business combinations achieved in stages

When a business combination is achieved in stages (step acquisition), the previously held share of the entity's assets and liabilities are measured at fair value at the date that control is obtained and any resulting adjustments are recognised in profit or loss. Previously held investments are therefore recognised as though they had been sold and reacquired at the date that control is obtained.

Business combinations under common control

Business combinations under common control (the combining entities are controlled by the same party) are excluded from the scope of IFRS 3 – *Business Combinations*. In the absence of a standard that deals specifically with this type of transaction, the application of the most suitable treatment must be guided by the general scope of IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*, i.e. to provide information on the transaction that is relevant and reliable and gives priority to the economic *substance* and financial reality of the transaction and not merely its legal form.

Under OPI 1 (Assirevi Preliminary Opinions on IFRS) on the “Accounting treatment of business combinations under common control in the separate and in the consolidated financial statements” the economic substance refers to the generation of value added which results in a significant change in cash inflows from the net assets transferred before and after the transaction. Should it be impossible to estimate a significant increase in future cash inflows from the assets transferred, the choice of how the transaction is accounted should be governed by prudence, which results in the application of the accounting principle of continuity. This principle entails the recognition in the financial statements of values equal to those that would have existed if the assets that are

the object of the combination had always been combined. The net assets must be recognised at their carrying values in the relevant accounts prior to the transaction or, if available, at the values in the Consolidated Financial Statements of the controlling shareholder Fiera Milano SpA. Where the transfer values are higher than the historic values, the excess must be eliminated against the equity of the acquirer through the appropriate reduction of a reserve.

Tangible fixed assets

Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost, including contingent costs and costs incurred, and adjusted for accumulated depreciation.

Tangible assets are depreciated in each accounting period on a straight-line basis, using economic/technical rates determined by the residual life of the assets.

Routine maintenance costs are charged to profit or loss when they are incurred.

The replacement costs of identifiable components of complex assets are allocated to the assets and depreciated over their useful lives. The residual carrying amount of the component being replaced is recognised in profit or loss.

Improvements to third party assets are recognised in property, plant and equipment based on the nature of the cost incurred; the depreciation period corresponds to the lesser of the residual useful life of the tangible asset and the residual period of the rental contract.

The depreciation rates applied are listed below:

| | |
|--------------------------------------|-----|
| - Office furniture and machinery | 12% |
| - Exhibition furniture and equipment | 27% |
| - Catering equipment | 25% |
| - Sundry machinery and equipment | 15% |
| - Site motor vehicles | 20% |
| - Electronic equipment | 20% |
| - Plant and machinery | 10% |
| - Telecommunication systems | 20% |
| - Alarm systems | 30% |
| - Furnishings | 12% |

If there is any indication of impairment, the tangible assets are subjected to an impairment test as described in the section on impairment of assets.

Intangible fixed assets

An intangible asset is recognised only if it is identifiable, is controlled by the entity, is expected to generate future economic benefits, and if its cost can be reliably measured.

Goodwill and intangible assets with an indefinite useful life

Goodwill arising from business combinations is initially recognised at cost on the acquisition date, as indicated in the paragraph above on Business Combinations, and, for purposes of the impairment test, allocated to a cash-generating unit or group of cash-generating units which benefit from the synergies generated by the acquisition that gave rise to the goodwill. After initial recognition, goodwill is measured at cost less any impairment stemming from the impairment tests (see the section on Impairment of Assets). An intangible asset is considered to have an indefinite useful life when no limit can be foreseen to the period during which the asset can generate financial inflows for the Company. Intangible assets with an indefinite useful life and goodwill are not subject to amortisation.

Intangible assets with a finite useful life

Intangible assets with a finite useful life are measured at purchase or production cost, including any contingent costs, and systematically amortised on a straight-line basis over their estimated useful life. If there is any indication of impairment, the intangible assets are subject to an impairment test as described in the section on impairment of assets.

Industrial patents and rights for the use of intellectual property, licenses, and concessions are amortised over a period of three years from the year in which the cost is incurred.

Amortisation of the trademarks of exhibitions is based on a useful life of between ten and twenty years, estimated on the competitive dynamics of the industry and a comparison of the methodology used by the leading Italian and foreign competitors.

Research costs are recognised at the time they are incurred. In compliance with IAS 38 – *Intangible Assets*, development costs relating to specific projects, including the launch of new exhibitions, are capitalised when it is probable that the project will be completed and generate future economic benefits and when such costs can be reliably measured. The cost is amortised on a straight-line basis over the period of the estimated future benefits of the project. The carrying value of costs is reviewed annually at the end of the reporting period or more often if there are any particular reasons for doing so, to analyse the fair value and ascertain any indication of impairment.

Impairment of assets

Goodwill and other intangible assets with an indefinite life are tested for impairment at least annually at the end of the reporting period or more often if there are any indications that an asset has been impaired.

Tangible and intangible assets with a definite useful life that are depreciated or amortised are tested for impairment only when there is an indication of impairment.

The recoverable amount of the asset is the higher of its fair value less costs of disposal and its value in use. The fair value is the price that would be received from the sale of an asset in an orderly transaction between independent, informed, and willing parties, less the costs of disposal. In the absence of binding agreements, it is necessary to use the prices expressed by an active market, or the best information available taking into account factors such as recent transactions for similar assets completed in the same business segment. The value in use is the present value, discounted at the weighted average cost of capital of an entity with a similar risk profile and level of indebtedness, of the cash flows expected to arise from the asset (or from a group of assets – a cash-generating unit) and from its sale at the end of its useful life.

If subsequently there is an indication that an impairment loss, other than for goodwill, may have decreased or no longer exists, the carrying value of the asset is adjusted to the new estimate of the recoverable value although this value may not exceed the value which would have been measured if there had been no impairment. Reversal of impairment is recognised in profit or loss.

Leased assets

There are two types of leases: finance leases and operating leases.

A lease is considered a finance lease when it transfers a significant and substantial part of the risks and rewards associated with the ownership of the asset to the lessee.

Given this, under IAS 17 – *Leases*, a leasing contract is considered a finance lease when the following factors are separately or jointly present:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain the option will be exercised;
- the lease term covers most of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of minimum lease payments amounts substantially to the fair value of the leased asset;
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Assets available to Fiera Milano SpA under leasing contracts that can be considered finance leases are recognised as tangible or intangible assets at the lower of their value at the date acquired or the net current value of the minimum charges under the contract amortised over their estimated useful life; the corresponding liability to the lessor is recognised in equity as a current or non-current financial liability depending on whether the contract expires within or beyond twelve months.

Lease payments are subdivided into principal, which is recognised in financial liabilities, and interest, which is recognised in profit or loss under financial expenses.

Charges for operating leases are recognised in profit or loss *pro-rata temporis* for the duration of the contract.

Financial assets

In accordance with the requirements of IAS 39 – *Financial Instruments: Recognition and Measurement* and IAS 32 – *Financial Instruments: Presentation*, financial assets are classified under the following four categories:

1. Financial assets at fair value through profit or loss;
2. Held-to-maturity (HTM) investments;
3. Loans and receivables;
4. Available-for-sale (AFS) financial assets.

Classification depends on the purpose for which assets are purchased and held. Management decides on their initial classification at the time of their initial recognition in the accounts, subsequently checking this classification at the end of each reporting period.

Financial assets are initially recognised at cost, which is equal to fair value plus contingent transaction costs. Subsequent measurement depends on the type of instrument concerned.

Financial assets at fair value recognised in the Income Statement, which include held-for-trading (HFT) financial assets and financial assets designated as such at the time of initial recognition, are classified among current financial assets and measured at fair value, with the gains or losses stemming from this valuation recognised in profit or loss. Gains and losses from any changes in the fair value are recognised in profit or loss.

Held-to-maturity investments are classified under current financial assets if they mature in less than 12 months and among non-current financial assets if maturity exceeds that period, and are subsequently valued at amortised cost. The latter is calculated using the effective interest method, taking into account any purchase discounts or premiums and spreading them over the entire period up to maturity, less any impairment.

Loans and receivables are valued at amortised cost using the effective interest method. At the end of each reporting period, the Company measures the realisable value of these receivables taking account of estimated future cash payments or receipts through their expected life.

Available-for-sale financial assets are recognised as non-current assets, unless they are to be divested within twelve months of the end of the reporting period, and are measured at fair value. Losses or gains on available-for-sale financial assets are recognised in other comprehensive income and aggregated in a specific equity reserve, until they are sold, recovered or otherwise derecognised. When there is an indication of impairment in an available-for-sale financial asset and there is objective evidence of this, the cumulative gain or loss that was recognised in other comprehensive income is reclassified from equity to profit or loss for the period as a reclassification adjustment even if the financial asset has not been derecognised.

Investments

After initial recognition, equity investments in subsidiaries and associate companies are valued at cost less any indication of impairment deriving from the impairment tests.

In compliance with the requirements of IAS 39 – *Financial Instruments: Recognition and Measurement* and IAS 32 – *Financial Instruments: Presentation*, investments in companies other than subsidiaries and associates are classified as available-for-sale and are measured at fair value except when fair value cannot be determined; in such cases, the cost method is used. Gains and losses stemming from adjustments of value are recognised in other comprehensive income, aggregated in a specific equity reserve. When there is an indication of impairment in an available-for-sale financial asset and there is objective evidence of this, the cumulative loss that was recognised in other comprehensive income is reclassified from equity to profit or loss for the period as a reclassification adjustment even if the financial asset has not been eliminated.

Inventories

Inventories are valued at the lower of purchase or production cost, including contingent costs, calculated using the FIFO method, and the presumable net realisable value based on market trends. Inventory consists mainly of outstanding costs relating to activities in future financial periods.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank demand deposits and cash investments with an original maturity of not more than three months. The definition of cash and cash equivalents in the Statement of Cash Flows is the same as that of the Statement of Financial Position.

Assets and liabilities held for sale

This category includes assets and liabilities or assets and liabilities in a disposal group (discontinued operations) where the carrying value will be recovered primarily through a sale rather than through continued use. For this to happen, the following conditions must be met:

- the assets (or disposal groups) must be available for immediate sale in their present condition;
- the sale must be highly probable, i.e. the company must be committed to a programme for their disposal; activities to identify a buyer must have been initiated; and completion of the sale must be scheduled to take place within one year of the date of classification in this category.

Assets held for sale are measured at the lower of their net carrying value and their fair value less costs to sell.

If an asset that is depreciated or amortised is reclassified to this category, the depreciation or amortisation process is discontinued at the time of reclassification.

In compliance with IFRS 5 - *Non-Current Assets Held for Sale and Discontinued Operations*, figures for discontinued operations are presented as follows:

- in two specific statement of financial position accounts: held-for-sale assets and held-for-sale liabilities;
- in a specific entry in the Statement of Comprehensive Income: net result for the period from discontinued operations.

Equity

Treasury shares

The par value of treasury shares is deducted from share capital and any amount in excess of par value is deducted from the share premium reserve.

Under IAS/IFRS regarding the acquisition of treasury shares, the nominal value of the shares is deducted from share capital while the difference between the nominal value and the acquisition value is taken against the share premium reserve. Regarding the sale of treasury shares, the share capital and the share premium reserve are reconstituted by the same amounts that they were reduced when the shares were acquired while any profit/loss from the sale is recognised in equity, under other reserves, with no impact on profit or loss. The shares taken as the reference for the calculation of profit/loss on disposal are selected using the FIFO method.

Costs of capital transactions

Costs directly attributable to capital transactions are recognised as a direct reduction of equity.

Trade payables, tax liabilities, advances and other liabilities

Payables, advances and other liabilities are initially recognised at fair value. After that, they are measured at amortised cost. Payables are derecognised when underlying financial obligations have been discharged.

If they have a due date exceeding twelve months, liabilities are discounted to present value using an interest rate reflecting market assessments of the time value of money and specific risks connected with the liability concerned. Discounted interest is classified in financial expenses.

Derivative instruments

A derivative or any other contract with the following characteristics is classified as a financial instrument and consequently fair-valued at the end of each accounting period: (i) its value changes in response to the change in an interest rate, the price of a financial instrument, a commodity price, a foreign-exchange rate, a price or rates index, creditworthiness, or another pre-established underlying variable; (ii) it requires no net initial investment or, if initial investment is required, one that is smaller than would be required for a contract from which a similar response to changes in market factors would be expected; (iii) it is settled at a future date. The effects of fair-value measurement are recognised in profit or loss as financial income/expense.

Provisions for risks and charges

Provisions for risks and charges are made when the Company must meet a present obligation (legal or constructive) stemming from a past event, the amount of which can be reliably estimated and for settlement of which an outflow of resources is probable. If expectations of resource outflow go beyond the next financial year, the obligation is recognised at its present value through discounting of future cash flows at a rate that also considers the time value of money and the liability's risk.

Risks for which manifestation of a liability is only possible, not probable, are shown in the paragraph, disclosure on guarantees given, undertakings and other contingent liabilities, and no provisions are made for these.

Bank borrowings and other financial liabilities

Financial liabilities are initially recognised at cost as represented by the fair value of the funds received net of related costs incurred to receive the loan. After initial recognition, borrowings are measured according to amortised cost calculated using the effective interest rate. Amortised cost is calculated taking into account issuance costs and any discount or premium envisaged at the time of settlement.

Employee benefits

Employee benefits paid out upon or after cessation of the employment relationship consist mainly of employee severance indemnities [*trattamento di fine rapporto* or TFR], which are governed by Article 2120 of the Italian Civil Code.

In compliance with IAS 19 – *Employee Benefits*, employee severance indemnities are considered a defined benefit plan, i.e. a plan consisting of benefits provided after cessation of employment, which constitutes a future obligation for which the Company assumes actuarial risks and related investments. As required by IAS 19 Revised, the Company uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service costs. This calculation requires the application of objective and mutually compatible actuarial assumptions concerning demographic variables (mortality rate, employee turnover) and financial variables (discount rate, future increases in salary levels). Fiera Milano SpA recognises changes in actuarial gains/losses in other items of comprehensive income.

From 1 January 2007, following social security reform, cumulative employee severance indemnities had to be allocated to pension funds or to the INPS treasury fund. Employees were given the option until 30 June 2007 to choose the destination of their severance indemnities.

In that regard, the allocation of accumulated employee severance indemnities to pension funds or to INPS means that a portion of these indemnities will be classified as a defined contribution plan in that the company's obligation is solely the payment of contributions either to the pension fund or to INPS. The liability related to past severance indemnities continues to be a defined benefit plan to be measured using actuarial assumptions.

Employee termination benefits not included in the employee severance indemnities (TFR) are recognised as liabilities and employee expenses when the enterprise is demonstrably committed to terminate the employment of an employee or group of employees before the normal retirement date or provides termination benefits as a result of an offer made in order to encourage voluntary redundancy. The benefits owed to employees for termination of their employment do not give any future economic benefits to the enterprise and are therefore recognised immediately as a cost.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the sale of goods or rendering of services will flow to the Company and the relevant amount can be reliably measured. Revenues are recognised at the fair value of the consideration received or receivable, taking into account any trade discounts and quantity-based reductions granted.

Revenue from the sale of goods is recognised when the entity has transferred a significant and substantial part of the risks and rewards associated with the ownership of the asset.

Revenue from the supply of services is recognised when the service is supplied. In compliance with the requirements of IAS 18 – *Revenue*, paragraph 25, revenues for the supply of services relating to exhibitions and congresses are recognised when the exhibitions and congresses actually take place, because it is during the actual exhibition/congress that most of the related costs are borne. When it is probable that the total costs of an exhibition will exceed its total revenues, the expected loss is recognised as a cost in a specific provision.

Operating costs

Costs are recognised when they relate to goods and services sold or used in the financial year or on an accrual accounting basis when their future usefulness cannot be precisely identified.

Personnel expenses include both the fixed and variable remuneration of Directors taking account of the effective period of service.

Costs that are not eligible to be recognised in assets are recognised in profit or loss in the period in which they are incurred.

Other income

This item has a residual nature and includes grants and subsidies.

Financial income and expenses

Financial income and expenses are recognised in the accounts based on timing that considers the effective yield/expense of the asset/liability concerned.

Income tax

Income taxes are recognised according to estimated taxable income in compliance with current tax rates and regulations. Income taxes are recognised in profit or loss, except for those relating to items recognised outside profit or loss, in which case the tax effect is recognised in equity.

Deferred taxes are measured according to the taxable temporary differences existing between the carrying amounts of assets and liabilities and their tax base and are classified among non-current assets and liabilities.

Deferred tax assets are recognised to the extent that there is likely to be sufficient future taxable income against which the positive balance can be utilised. The carrying amount of deferred tax assets is subject to review at the end of each reporting period.

Deferred tax assets and liabilities are measured according to the tax rates that are expected to be applied in the period when the deferrals materialise, considering the tax rates in force or those that are scheduled to come into force subsequently.

Current and deferred tax assets and liabilities are offset only when they are levied by the same tax authority and when there is a legal right to settle on a net basis.

Note 40 provides further information on the tax consolidation.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at the current exchange rate in force on the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate in force at the end of the reporting period. Foreign exchange differences generated by the extinction of monetary items or their translation at different exchange rates from those at which they were translated at the time of initial recognition in the period or in previous periods are recognised in profit or loss. Exchange rate differences are recognised in financial expenses and income.

Dividends

Dividend income is recognised when the shareholders' right to receive payment has been established. This is normally the date of the Annual General Meeting that approves the dividend distribution.

1.5 Use of estimates

Preparation of financial statements and related notes using IFRS requires estimates and assumptions to be made that affect the amounts of assets and liabilities in the Statement of Financial Position and disclosures concerning potential assets and liabilities at the end of the reporting period. Actual results may differ from these estimates. Estimates are used to recognise provisions for doubtful accounts, depreciation and amortisation, employee benefits, taxes, and other provisions and reserves, as well as any impairment. Estimates and assumptions are reviewed regularly and the effects of any change are immediately recognised in profit or loss.

The most important estimates used to prepare the Financial Statements are given below as these involve a significant level of subjective opinion, assumptions and estimates:

- *Goodwill* is tested for impairment at least annually at the end of each reporting period; this test requires an estimate of the value in use of the cash-generating unit to which the goodwill has been allocated, which itself is based on an estimate of the cash flows the cash-generating unit is expected to generate and discounting them to their net present value using an identified discount rate.
- *Intangible assets with a finite useful life* are tested for impairment when there are internal or external indications that an asset is impaired; this test requires an estimate of the value in use of the cash-generating unit to which the asset belongs, which itself is based on an estimate of the cash flows the cash-generating unit is expected to generate and discounting them to their net present value using an appropriate discount rate.
- *Deferred tax assets* are carried against tax losses carried forward and other taxable temporary differences to the extent that it is probable there will be sufficient future taxable profits available to utilise the tax losses and other taxable temporary differences. Management must use its judgement in estimating the amount of deferred tax assets to be recognised. The Industrial Plan of the Company was used when calculating the amount of deferred tax assets to be recognised.

- *Provisions for risks and costs* are estimated using the best available information at the date of the Financial Statements under review and include estimates based on historic and future data regarding the likely outcome of legal disputes or events where the judgement of the risk profile and the calculation of the likely financial impact are uncertain and complex and could result in an adjustment to estimates.

Reference should be made to the specific paragraph in the notes to the Financial Statements for the use of estimates of financial risk. The valuation of the provision for risks refers to the best information available at the end of the reporting period.

The industrial plans used to carry out the impairment tests are based on certain expectations and assumptions of future performance that by their very nature are subject to uncertainties. Therefore, results could differ from forecasts.

The plan will be continually assessed by the Directors regarding the effective realisation of the initiatives and forecasts and the effects on the financial and economic performance of the Company.

Explanatory and Supplementary Notes to the Financial Statements

STATEMENT OF FINANCIAL POSITION

ASSETS

NON-CURRENT ASSETS

2) Property, plant and equipment

The breakdown and changes in the last two financial years were as follows:

Property, plant and equipment

(€'000)

| | Balance at 31/12/15 | Changes during the financial year | | | | | | Balance at 31/12/16 |
|--|------------------------|-----------------------------------|----------|--------------|------------|------------------|------------------|------------------------|
| | | Incr. | Decr. | Depr. | Impairment | Reclassification | Other changes | |
| Plant and machinery | | | | | | | | |
| . historic cost | 15,448 | 127 | - | - | - | - | - | 15,575 |
| . depreciation | 13,737 | - | - | 705 | - | - | - | 14,442 |
| Net | 1,711 | 127 | - | 705 | - | - | - | 1,133 |
| Industrial and commercial equipment | | | | | | | | |
| . historic cost | 12,095 | 210 | - | - | - | - | - | 12,305 |
| . depreciation | 11,780 | - | - | 102 | - | - | - | 11,882 |
| Net | 315 | 210 | - | 102 | - | - | - | 423 |
| Other assets | | | | | | | | |
| . historic cost | 27,185 | 544 | - | - | - | - | - | 27,729 |
| . depreciation | 25,072 | - | - | 535 | - | - | - | 25,607 |
| Net | 2,113 | 544 | - | 535 | - | - | - | 2,122 |
| Total property, plant and equipment | | | | | | | | |
| . historic cost | 54,728 | 881 | - | - | - | - | - | 55,609 |
| . depreciation | 50,589 | - | - | 1,342 | - | - | - | 51,931 |
| Net | 4,139 | 881 | - | 1,342 | - | - | - | 3,678 |

Property, plant and equipment

(€'000)

| | Balance at 31/12/16 | Changes during the financial year | | | | | Other changes | Balance at 31/12/17 |
|--|------------------------|-----------------------------------|----------|--------------|------------|------------------|------------------|------------------------|
| | | Incr. | Decr. | Depr. | Impairment | Reclassification | | |
| Plant and machinery | | | | | | | | |
| . historic cost | 15,575 | 377 | - | - | - | - | - | 15,952 |
| . depreciation | 14,442 | - | - | 462 | - | - | - | 14,904 |
| Net | 1,133 | 377 | - | 462 | - | - | - | 1,048 |
| Industrial and commercial equipment | | | | | | | | |
| . historic cost | 12,305 | 535 | 45 | - | - | - | - | 12,795 |
| . depreciation | 11,882 | - | 45 | 204 | - | - | - | 12,041 |
| Net | 423 | 535 | - | 204 | - | - | - | 754 |
| Other assets | | | | | | | | |
| . historic cost | 27,729 | 229 | 5 | - | - | - | - | 27,953 |
| . depreciation | 25,607 | - | - | 495 | - | - | - | 26,102 |
| Net | 2,122 | 229 | 5 | 495 | - | - | - | 1,851 |
| Total property, plant and equipment | | | | | | | | |
| . historic cost | 55,609 | 1,141 | 50 | - | - | - | - | 56,700 |
| . depreciation | 51,931 | - | 45 | 1,161 | - | - | - | 53,047 |
| Net | 3,678 | 1,141 | 5 | 1,161 | - | - | - | 3,653 |

The breakdown and changes in the financial year were as follows:

Plant and machinery

This item was Euro 1.048 million, net of depreciation for the year of Euro 0.462 million, and was for electric and thermal plant and security and audiovisual systems.

The total increase of Euro 0.377 million was mainly for plant for the Rho exhibition site.

Industrial and commercial equipment

This item was Euro 0.754 million, net of depreciation for the year of Euro 0.204 million, and was mainly for equipment and furnishings related to the exhibition business.

The total increase of Euro 0.535 million was for the purchase of furniture and equipment related to exhibition activities in the Rho exhibition site.

Other assets

Other assets totalled Euro 1.851 million, net of depreciation for the year of Euro 0.495 million, and was for electronic equipment, furniture and furnishings, and vehicles.

The total increase of Euro 0.229 million was made up of Euro 0.108 million for electronic equipment and furnishings and of Euro 0.121 million for improvements made to assets of Fondazione Fiera Milano, which were the responsibility of the Company under existing lease agreements.

Depreciation of improvements to third-party assets is calculated on the residual length of the lease contract for the property.

The entry for fixed assets, plant and equipment includes related-party transactions for Euro 0.034 million (Euro 0.103 at 31 December 2016). Note 42 provides further details on related-party transactions.

3) Goodwill

The breakdown and changes in the last two financial years were as follows:

| | Goodwill (€'000) | | | | | | |
|-----------------|---------------------|-----------------------------------|-------|------------|------------------|---------------|---------------------|
| | Balance at 31/12/15 | Changes during the financial year | | | | | Balance at 31/12/16 |
| | | Incr. | Decr. | Impairment | Reclassification | Other changes | |
| Goodwill | | | | | | | |
| . historic cost | 82,933 | - | - | - | - | - | 82,933 |
| . depreciation | 12,789 | - | - | - | - | - | 12,789 |
| Net | 70,144 | - | - | - | - | - | 70,144 |
| Total | | | | | | | |
| . historic cost | 82,933 | - | - | - | - | - | 82,933 |
| . depreciation | 12,789 | - | - | - | - | - | 12,789 |
| Net | 70,144 | - | - | - | - | - | 70,144 |

| | Goodwill (€'000) | | | | | | |
|-----------------|---------------------|-------|-------|------------|------------------|---------------|---------------------|
| | Balance at 31/12/16 | Incr. | Decr. | Impairment | Reclassification | Other changes | Balance at 31/12/17 |
| Goodwill | | | | | | | |
| . historic cost | 82,933 | - | - | - | - | - | 82,933 |
| . depreciation | 12,789 | - | - | - | - | - | 12,789 |
| Net | 70,144 | - | - | - | - | - | 70,144 |
| Total | | | | | | | |
| . historic cost | 82,933 | - | - | - | - | - | 82,933 |
| . depreciation | 12,789 | - | - | - | - | - | 12,789 |
| Net | 70,144 | - | - | - | - | - | 70,144 |

The amounts and changes in the various entries for goodwill in the financial year under review are described below:

Goodwill

Goodwill was Euro 70.144 million.

Goodwill of Euro 29.841 million was initially recognised in the Statement of Financial Position following the contribution by Fondazione Fiera Milano of the exhibition entity on 17 December 2001. In the 2011 financial year, it increased by Euro 40.350 million due to the merger by incorporation of the 100% controlled company Rassegne SpA into the subsidiary Fiera Milano SpA

and by a further Euro 0.080 million following the acquisition of the business division, Information Communication Technology, from the subsidiary Expopage SpA, now Fiera Milano Media SpA.

During the 2012 financial year, it increased by a further Euro 0.021 million as a result of the merger by incorporation of the 100% owned company, TL.TI Expo SpA into Fiera Milano SpA and decreased by Euro 0.148 million for the acquisition of the business division F&M Fiere & Mostre Srl in 2009 and by the adjustment to the final transaction consideration made as a result of the failure to reach the targets for the 2012 edition of the exhibition.

As described in Note 1 on the accounting standards and valuation criteria used to prepare the Financial Statements, goodwill is not amortised but is tested for impairment at the end of each reporting period or more often if there are any indications of impairment. The methods used for the impairment tests in the 2017 financial period are described in the section use of estimates.

The recoverable value of the cash-generating units (CGUs) to which individual goodwill was attributed is verified by determining their value in use.

For Fiera Milano SpA, each individual exhibition is considered a cash-generating unit.

In order to avoid using arbitrary allocation criteria for the impairment tests, goodwill was allocated based on appropriate groupings that reflect both the strategic vision of the company and how the goodwill was generated.

The goodwill allocations were as follows:

- the Directly Organised Exhibition cash-generating unit: this comprises the cash-generating units of all the exhibitions directly organised by Fiera Milano SpA. The goodwill allocated to this group was Euro 40.223 million for goodwill on the acquisitions of companies that organise exhibitions that were subsequently incorporated in Fiera Milano SpA through various merger transactions;
- the Exhibition cash-generating unit: this comprises the cash-generating units of all the exhibitions of Fiera Milano SpA. The goodwill allocated to this group was Euro 29.921 million of which Euro 29.841 million was the goodwill coming from the contribution of the exhibition entity by Fondazione Fiera Milano to Fiera Milano SpA on 17 December 2001 and Euro 0.080 million was goodwill from the acquisition by the Parent Company of the Information Communication Technology business division from its subsidiary Expopage SpA, which is now Fiera Milano Media SpA.

Discounted cash flow is used to assess impairment and is based on the 2018-2021 Industrial Plan approved by the Board of Directors.

Cash flow projections beyond the time horizons of the respective business plans are generally made using the average gross operating profit of the four years of the plan and reconstructing a normalised cash flow without considering changes in working capital but including maintenance and replacement costs.

As described above, the terminal value was calculated as a perpetuity obtained by determining the net present value of the average net cash flows and discounting it using a WACC (Weighted Average Cost of Capital) of 7.32% whilst assuming a growth rate of 2.0% in line with medium/long-term inflation estimates.

The WACC incorporates a cost of capital of 9.13%, a cost of debt of 2.50% and debt equal to 25% of invested capital (the average of peer companies). The single elements were arrived at using, as far as possible, publicly available sources. A rate net of taxes was used for cash flows net of taxes.

The cost of capital incorporates a risk-free rate of 2.09%, a market risk premium of 6.40% and a levered beta of 0.94, in line with the average for the sector. It also incorporates a specific risk coefficient to cover the execution risk of the forecast cash flows.

Sensitivity analyses were carried out by varying the WACC (+0.5%) and the forecast operating cash flows (-10%) with a positive result for both CGUs.

4) Intangible assets with a finite useful life

The breakdown and changes in the last two financial years were as follows:

Intangible assets with a finite useful life

(€'000)

| | Balance at 31/12/15 | Changes during the financial year | | | | | Other changes | Balance at 31/12/16 |
|--|------------------------|-----------------------------------|----------|--------------|--------------|------------------|------------------|------------------------|
| | | Incr. | Decr. | Amort. | Impairment | Reclassification | | |
| Industrial patents and intellectual property rights | | | | | | | | |
| . historic cost | 36,108 | 957 | - | - | - | 10 | - | 37,075 |
| . amortisation | 33,942 | - | - | 1,516 | - | - | - | 35,458 |
| Net | 2,166 | 957 | - | 1,516 | - | 10 | - | 1,617 |
| Concessions, licenses and similar rights | | | | | | | | |
| . historic cost | 3,517 | 161 | - | - | - | - | - | 3,678 |
| . amortisation | 3,077 | - | - | 285 | - | - | - | 3,362 |
| Net | 440 | 161 | - | 285 | - | - | - | 316 |
| Trademarks | | | | | | | | |
| . historic cost | 22,533 | 1,910 | - | - | - | - | - | 24,443 |
| . amortisation | 12,070 | - | - | 920 | 3,333 | - | - | 16,323 |
| Net | 10,463 | 1,910 | - | 920 | 3,333 | - | - | 8,120 |
| Intangible fixed assets under construction | | | | | | | | |
| . historic cost | 10 | 17 | - | - | - | (10) | - | 17 |
| . amortisation | - | - | - | - | - | - | - | - |
| Net | 10 | 17 | - | - | - | (10) | - | 17 |
| Total intangible assets with a finite useful life | | | | | | | | |
| . historic cost | 62,168 | 3,045 | - | - | - | - | - | 65,213 |
| . amortisation | 49,089 | - | - | 2,721 | 3,333 | - | - | 55,143 |
| Net | 13,079 | 3,045 | - | 2,721 | 3,333 | - | - | 10,070 |

Intangible assets with a finite useful life

(€'000)

| | Balance at 31/12/16 | Changes during the financial year | | | | | | Other changes | Balance at 31/12/17 |
|--|------------------------|-----------------------------------|----------|--------------|--------------|------------------|----------|------------------|------------------------|
| | | Incr. | Decr. | Amort. | Impairment | Reclassification | | | |
| Industrial patents and intellectual property rights | | | | | | | | | |
| . historic cost | 37,075 | 369 | - | - | - | 17 | - | 37,461 | |
| . amortisation | 35,458 | - | - | 935 | - | - | - | 36,393 | |
| Net | 1,617 | 369 | - | 935 | - | 17 | - | 1,068 | |
| Concessions, licenses and similar rights | | | | | | | | | |
| . historic cost | 3,678 | 66 | - | - | - | - | - | 3,744 | |
| . amortisation | 3,362 | - | - | 197 | - | - | - | 3,559 | |
| Net | 316 | 66 | - | 197 | - | - | - | 185 | |
| Trademarks | | | | | | | | | |
| . historic cost | 24,443 | - | - | - | - | - | - | 24,443 | |
| . amortisation | 16,323 | - | - | 683 | 1,534 | - | - | 18,540 | |
| Net | 8,120 | - | - | 683 | 1,534 | - | - | 5,903 | |
| Intangible fixed assets under construction | | | | | | | | | |
| . historic cost | 17 | 13 | - | - | - | (17) | - | 13 | |
| . amortisation | - | - | - | - | - | - | - | - | |
| Net | 17 | 13 | - | - | - | (17) | - | 13 | |
| Total intangible assets with a finite useful life | | | | | | | | | |
| . historic cost | 65,213 | 448 | - | - | - | - | - | 65,661 | |
| . amortisation | 55,143 | - | - | 1,815 | 1,534 | - | - | 58,492 | |
| Net | 10,070 | 448 | - | 1,815 | 1,534 | - | - | 7,169 | |

The breakdown and changes in the last two financial years were as follows:

Industrial patents and intellectual property rights

These totalled Euro 1.068 million net of amortisation for the year of Euro 0.935 million. The total increase of Euro 0.386 million was for the implementation of digital projects and the purchase of software.

Amortisation is calculated on the estimated useful life of the asset, which is three years for the information system, the management reporting system, and the other projects and software.

Concessions, licences and similar rights

This item was Euro 0.185 million net of amortisation for the year of Euro 0.197 million; the Euro 0.066 million increase was mainly for the purchase of software licences with time limited rights of use.

Time-limited software licences are amortised over a period of three years.

Trademarks

This entry totalled Euro 5.903 million net of amortisation for the year of Euro 0.683 million and the breakdown was as follows:

| | |
|------------------------------|---------------------|
| • Host | Euro 1.801 million; |
| • Mipap Milano Prêt-à-Porter | Euro 1.692 million; |
| • Promotion Trade Exhibition | Euro 1.276 million; |
| • Transpotec & Logitec | Euro 0.468 million; |
| • Festivity | Euro 0.330 million; |
| • Miart | Euro 0.125 million; |
| • La Campionaria | Euro 0.108 million; |
| • BtoBio Expo | Euro 0.083 million; |
| • Tuttofood | Euro 0.011 million; |
| • Fruit&Veg Innovation | Euro 0.009 million. |

Trademarks to which Fiera Milano SpA attributes a finite useful life were subject to impairment tests using the internal and external sources of information under paragraphs 12-14 of IAS 36 – *Impairment of Assets*.

The impairment tests showed the following impairment losses:

- Euro 0.332 million for Bias and Euro 0.754 million for Fluidtrans Compomac following cancellation of these exhibitions.
- Euro 0.448 million for NF Travel & Technology Event due to insufficient forecast cash flows.

Exhibition trademarks are amortised over a useful life of 10-20 years. The useful life of each trademark is calculated, assuming for each specific intangible asset that its presence in its reference market is ongoing, the competitive position of the exhibition, and its operating profitability.

Intangible assets under construction

This item was Euro 0.013 million and was for the upgrade to the management software. The value of this asset, when completed, will be reclassified in fixed assets and it will start to be amortised.

The item, intangible assets with a finite useful life, included no related-party transactions (Euro 0.010 million at 31 December 2016).

5) Investments

The breakdown and changes in investments were as follows:

Equity investments

| (€'000) | % held 31/12/17 | Book value 31/12/16 | Changes during the financial year | | | | | Book value 31/12/17 |
|--|--------------------|---------------------------|-----------------------------------|----------|------------------|--------------|--------------|---------------------------|
| | | | Incr. | Decr. | Reclassification | Revaluations | Write-downs | |
| Equity investments in subsidiaries companies | | | | | | | | |
| Fiera Milano Congressi SpA | 100% | 12,200 | - | - | - | - | - | 12,200 |
| Fiera Milano Media SpA | 100% | 14,277 | 700 | - | - | - | 7,359 | 7,618 |
| Ipack-Ima SpA | 100% | 6,825 | - | - | - | - | - | 6,825 |
| La Fabbrica del Libro SpA | 51% | 61 | 1,922 | - | - | - | 536 | 1,447 |
| Nolostand SpA | 100% | 13,390 | - | - | - | - | - | 13,390 |
| Cipa Fiera Milano Publicações e Eventos Ltda | 0.04% | 2 | - | - | - | - | - | 2 |
| Eurofairs International Consultoria e Participações Ltda | 99.99% | - | 1,500 | - | - | - | 1,500 | - |
| Fiera Milano Exhibitions Africa Pty Ltd | 100% | - | 700 | - | - | - | 285 | 415 |
| Fiera Milano India Pvt Ltd | 99.99% | 82 | - | - | - | - | 18 | 64 |
| Total | | 46,837 | 4,822 | - | - | - | 9,698 | 41,961 |
| Equity investments in joint-ventures | | | | | | | | |
| Hannover Milano Global Germany GmbH | 49% | 10,990 | - | - | - | - | - | 10,990 |
| Total | | 10,990 | - | - | - | - | - | 10,990 |
| Other Investments | | | | | | | | |
| Comitato Golden Card | 33.33% | - | 32 | - | - | - | - | 32 |
| Total | | - | 32 | - | - | - | - | 32 |
| Total equity investments | | 57,827 | 4,854 | - | - | - | 9,698 | 52,983 |

The values of investments are shown net of any impairment losses.

The value and changes in investments are described below.

- On 6 April 2017 and 1 June 2017, Fiera Milano SpA, under the industrial plan of the start up company, La Fabbrica del Libro SpA, made two payments for future share capital increases for a total amount of Euro 1.473 million. This was done to restructure the capital deficit that emerged during the financial period under review. On 19 December 2017, it made a further payment of Euro 0.449 million to cover the forecast accumulated losses at 31 December 2018.
- On 23 May 2017 and 3 July 2017, Fiera Milano SpA made payments for future share capital increases for a total amount of Euro 0.700 million to Fiera Milano Exhibitions Africa Pty Ltd.
- On 13 November 2017, Fiera Milano SpA made a payment for a future share capital increase of Euro 1.500 million to Eurofairs International Consultoria e Participações Ltda to strengthen its capital base.
- On 19 December 2017, Fiera Milano SpA made a payment for a future share capital increase of Euro 0.700 million to Fiera Milano Media SpA to bring the equity of the company above the minimum requirement of one-third under Article 2446 of the Italian Civil Code.

- On 19 December 2017, Fiera Milano SpA paid Euro 0.032 million as a subscription to the Comitato Golden Card, which carries out promotional activities among exhibition professionals.

At the end of the financial year under review, impairment tests were carried out on the investments and the following impairment losses taken: Euro 7.359 million for Fiera Milano Media SpA, Euro 1.500 million for Eurofairs International Consultoria e Participações Ltda, Euro 0.536 million for La Fabbrica del Libro SpA and Euro 0.285 million for Fiera Milano Exhibitions Africa Pty Ltd.

The investment in Fiera Milano India Pvt Ltd (a company not currently active) was brought in line with its net financial position with a resulting reduction in the value of the company of Euro 0.018 million.

The impairment tests used discounted cash flows based on the industrial plans approved by the management of the companies. The reference time horizon was four financial years given the biennial timing of some of the important exhibitions. The estimated cash flows beyond the period of the business plans were calculated by taking the average gross operating margin of the period covered by the plans and estimating a normalised cash flow with no changes in working capital but including maintenance or replacement expenditure.

The terminal value used was a perpetuity obtained by calculating the net present value of the average net cash flows of the last four years in the industrial plans, as described above, at a discount rate that differs for the different reference countries of the various investments. Zero growth in real terms was assumed but an estimate of the medium/long-term inflation rates in the specific geographic areas was used. Only the estimated growth of Fiera Milano Media SpA was not in line with the estimate for medium/long-term inflation and therefore appears as a negative factor in real terms.

The WACC (Weighted Average Cost of Capital) used was different for each investment depending on: (i) the different risk-free rate (the yield on a 10-year government bond in the jurisdiction of the investment); (ii) the specific risk coefficient to cover the execution risk of the forecast cash flows - the risk factors reflect the differences between historical data and estimated figures and also forecasts for the impact of the business initiatives to be implemented; (iii) the different cost of debt due to the estimated rate of inflation in the jurisdiction of each investment.

A summary of the results is given below:

| | |
|--|--------|
| - Fiera Milano SpA | 7.32% |
| - Fiera Milano Congressi SpA | 7.69% |
| - Fiera Milano Media SpA | 8.82% |
| - Ipack-Ima SpA | 7.32% |
| - La Fabbrica del Libro SpA | 8.82% |
| - NoloStand SpA | 8.07% |
| - Eurofairs International Consultoria e Participações Ltda | 13.80% |
| - Fiera Milano Exhibitions Africa Pty Ltd1 | 4.30% |
| - Hannover Milano Global Germany GmbH | 7.71% |

Sensitivity analyses were carried out by varying the WACC (+0.5%) and the forecast operating cash flows (-10%) with a positive outcome for all the investments that were not impaired.

The sensitivity analyses on the investments that were impaired gave the following results:

- Fiera Milano Media SpA: a 0.5% increase in the WACC reduced the recoverable value by Euro 0.593 million while a 0.5% decrease in the WACC increased the recoverable value by Euro 0.664 million. A 10% decrease in expected cash flows gave a decrease in the recoverable value of Euro 1.084 million.
- La Fabbrica del Libro SpA: a 0.5% increase in the WACC reduced the recoverable value by Euro 0.138 million while a 0.5% decrease in the WACC increased the recoverable value by Euro 0.161 million. A 10% decrease in expected cash flows gave a decrease in the recoverable value of Euro 0.133 million.
- Eurofairs International Consultoria e Participações Ltda: a 0.5% increase in the WACC had no impact as the recoverable value was already zero using the WACC of the impairment test. A reduction of 0.5% in the WACC also had no effect on the recoverable value.
- Fiera Milano Exhibitions Africa Pty Ltd: the recoverable value was not materially affected by either an increase or a decrease of 0.5% in the WACC. A reduction of 10% in expected cash flows gave a decrease in the recoverable value of Euro 0.021 million.

6) Trade and other receivables

This entry totalled Euro 11.680 million (Euro 12.469 million at 31 December 2016) of which Euro 10.626 million due beyond five years. The breakdown was as follows:

| Trade and other receivables | (€'000) | | |
|--|---------------|---------------|--------------|
| | 31/12/17 | 31/12/16 | Change |
| Other receivables from the controlling shareholder | 11,598 | 11,862 | (264) |
| Other guarantee deposits | 82 | 583 | (501) |
| Other receivables | - | 24 | (24) |
| Total | 11,680 | 12,469 | (789) |

The entry included:

- other receivables from the controlling shareholder of Euro 11.598 million (Euro 11.862 million at 31 December 2016). Euro 10.412 million was for the guarantee deposit under the lease agreements for the two exhibitions sites of Rho and Milan City. This sum is equivalent to the combined quarterly rent of the two exhibition sites; the residual amount of Euro 1.186 million was the non-current part of the receivable arising from the right to repayment from Fondazione Fiera Milano of the guarantee deposit paid on the two previous lease agreements offset by the payable by Fiera Milano of the guarantee deposits for the new lease agreements. This receivable will be paid over the length of the contracts through a reduction in the amount payable by Fiera Milano SpA to Fondazione Fiera Milano for each six-monthly rental payment;
- other guarantee deposits totalling Euro 0.082 million (Euro 0.583 million at 31 December 2016). The decrease compared to the previous financial year was due to the reclassification to other current receivables of the guarantee deposit on the lease contract for the Palazzo Italia in Berlin as the contract expires in October 2018.
- there were no other receivables in the financial year under review (Euro 0.024 million at 31 December 2016).

Trade and other receivables included Euro 11.598 million (Euro 11.862 million at 31 December 2016) for related-party transactions. Note 42 provides further details on related-party transactions.

7) Deferred tax assets

These were Euro 0.900 million (Euro 3.041 million at 31 December 2016) and were the net of deferred tax assets and deferred tax liabilities.

An analysis of the changes in deferred taxes is given in Note 40 to the Income Statement.

Current assets

8) Trade and other receivables

| Trade and other receivables | | | (€'000) |
|--|---------------|---------------|----------------|
| | 31/12/17 | 31/12/16 | Change |
| Receivables from clients | 19,877 | 21,500 | (1,623) |
| Trade receivables from subsidiaries | 4,478 | 2,957 | 1,521 |
| Trade receivables from Joint Venture | 53 | 199 | (146) |
| Group VAT receivables to controlling shareholder | 1,582 | - | 1,582 |
| Receivables from the controlling shareholder for tax consolidation | - | 2,897 | (2,897) |
| Other receivables | 1,580 | 1,744 | (164) |
| Other receivables from the controlling shareholder | 531 | 518 | 13 |
| Prepaid expenses | 345 | 333 | 12 |
| Prepaid expenses from the controlling shareholder | 3,160 | 3,714 | (554) |
| Prepaid expenses from subsidiaries | 10 | 4 | 6 |
| Total | 31,616 | 33,866 | (2,250) |

Trade and other receivables totalled Euro 31.616 million (Euro 33.866 million at 31 December 2016) and included the following items:

trade receivables from clients of Euro 19.877 million (Euro 21.500 million at 31 December 2016) net of Euro 4.396 million of provisions for doubtful receivables. They comprised receivables from organisers, exhibitors and others for providing exhibition space and services for exhibitions.

The figure for receivables was adjusted for the provision for doubtful receivables in order to bring the accounting value in line with the presumed recoverable value. The change in this provision in the financial year under review is shown in the table below:

| | (€'000) | | | |
|------------------------------------|----------|------------|-------------|----------|
| | 31/12/16 | Provisions | Utilisation | 31/12/17 |
| Provision for doubtful receivables | 5,799 | 634 | 2,037 | 4,396 |

The provision was primarily for receivables that were deemed difficult to recover.

Use of the provision refers to receivables that, in the financial year under review, were found to be unrecoverable.

- trade receivables from the controlling shareholder of Euro 4.478 million (Euro 2.957 million at 31 December 2016). These were trade receivables at market conditions.
- The services provided are part of the organisation and management of exhibitions and other events in the exhibition site.
- other receivables of Euro 1.580 million (Euro 1.744 million at 31 December 2016). These included receivables for IRES tax of Euro 0.104 million, advances to INAIL of Euro 0.140 million, other tax receivables of Euro 0.124 million, receivables from employees of Euro 0.168 million, receivables for tax advances on employee severance indemnities of Euro 0.298 million, advances to suppliers of Euro 0.216 million, the guarantee deposit on the lease contract for the Palazzo Italia in Berlin of Euro 0.501 million, and other current receivables of Euro 0.029 million.
- Accruals of Euro 0.345 million (Euro 0.333 million at 31 December 2016) for insurance premiums and other accruals and for costs incurred in the financial year but pertaining to the following financial year.
- Accruals from the controlling shareholder of Euro 3.160 million (Euro 3.714 million at 31 December 2016) that were mainly for the rent for the **fieramilano** exhibition site.

The entry for trade and other receivables included Euro 9.814 million (Euro 10.289 million at 31 December 2016) for related-party transactions. Note 42 provides further details on related-party transactions.

9) Inventories

Inventories included deferred costs of Euro 2.233 million (Euro 4.467 million at 31 December 2016) for exhibitions to be held after 31 December 2017.

Inventories

| | (€'000) | | |
|----------------------------|--------------|--------------|----------------|
| | 31/12/17 | 31/12/16 | Change |
| Tuttofood | 496 | 1,781 | (1,285) |
| Expodetergo | 363 | 236 | 127 |
| Miart | 256 | 155 | 101 |
| Bit | 250 | 318 | (68) |
| Homi I semestre | 237 | 313 | (76) |
| Print4all | 216 | - | 216 |
| Promotion Trade Exhibition | 125 | 162 | (37) |
| Host | 60 | 608 | (548) |
| Transpotec & Logitec | 1 | 204 | (203) |
| Fruit Innovation | - | 237 | (237) |
| Sicurezza | - | 176 | (176) |
| Other | 229 | 277 | (48) |
| Total | 2,233 | 4,467 | (2,234) |

The change in this entry mainly referred to costs incurred in the period under review for exhibitions that were not held in the previous financial year due to the different exhibition calendar but will be held in the next financial year.

The entry for inventories includes Euro 0.270 million (Euro 0.490 million at 31 December 2016) for related-party transactions. Note 42 provides further details on related-party transactions.

10) Current financial assets

This entry was Euro 6.773 million (Euro 6.084 million at 31 December 2016) and the breakdown was as follows:

| Current financial assets | (€'000) | | |
|--|--------------|--------------|------------|
| | 31/12/17 | 31/12/16 | Change |
| Current financing to controlling shareholder | 700 | - | 700 |
| Current financing to the Group | 6,073 | 9,155 | (3,082) |
| Provision for financing | - | 3,071 | 3,071 |
| Total | 6,773 | 6,084 | 689 |

This entry included some financial receivables from Fondazione Fiera Milano and some subsidiaries and joint ventures. These transactions were all done at market conditions:

- Euro 0.700 million for the current account held with Fondazione Fiera Milano. The interest payable on this account is 1-month Euribor plus a spread of 1.75%. The rate was changed on 1 July 2017 to 1-month Euribor plus a spread of 1.50%;
- a Euro 3.212 million loan to the subsidiary Fiera Milano Media SpA with interest rate of 1.50%;
- a Euro 0.752 million loan to the subsidiary La Fabbrica del Libro SpA with interest rate of 1.50%;
- a Euro 2.109 million loan to the joint venture Ipack Ima Srl with interest rate of 1.50%.

This entire entry is a related-party transaction (Euro 6.084 million at 31 December 2016). Note 42 provides further details on related-party transactions.

11) Cash and cash equivalents

These totalled Euro 7.691 million (Euro 11.983 million at 31 December 2016) and was almost entirely composed of short-term bank deposits.

| Cash and cash equivalents | (€'000) | | |
|---------------------------|--------------|---------------|----------------|
| | 31/12/17 | 31/12/16 | Change |
| Bank and postal accounts | 7,668 | 11,890 | (4,222) |
| Cheques | 14 | 85 | (71) |
| Cash and cash equivalents | 9 | 8 | 1 |
| Total | 7,691 | 11,983 | (4,292) |

The financial flows, with comparative data at 31 December 2016, are shown in the Statement of Cash Flows.

12) Assets held for sale

This entry was zero in the financial period under review (Euro 2.750 million at 31 December 2016). The figure for the previous financial year included the sum for the sale of the 75% shareholding in the Chinese subsidiary Worldex Fiera Milano Exhibitions Co. Ltd. The transaction was completed in April 2017.

EQUITY AND LIABILITIES

13) Equity

The breakdown of equity was as follows:

| Equity | (€'000) | | |
|---------------------------------|-----------------|-----------------|---------------|
| | 31/12/17 | 31/12/16 | Change |
| Share capital | 41,645 | 41,645 | - |
| <i>of which treasury shares</i> | (800) | (800) | - |
| Share premium reserve | 10,299 | 35,668 | (25,369) |
| <i>of which treasury shares</i> | (3,204) | (3,204) | - |
| Other reserves | 8,489 | 8,489 | - |
| Retained profits/(losses) | 2 | (154) | 156 |
| Profit/(loss) for the period | (864) | (25,160) | 24,296 |
| Equity | 59,571 | 60,488 | (917) |

The amounts and changes compared to 31 December 2016 were as follows:

Share capital

At 31 December 2017, the share capital was Euro 41.645 million (Euro 41.645 million at 31 December 2016), net of Euro 0.800 million of treasury shares. The fully paid-up share capital was made up of 71,917,829 ordinary shares with no restrictions on dividend distribution and repayment of share capital, except as provided by law for treasury shares.

A breakdown of the shares in issue is shown in the following table:

| | Number of shares at 31 December 2016 | Capital increase | Purchase | Sale | Number of shares at 31 December 2017 |
|--------------------------|---|-------------------------|-----------------|-------------|---|
| Ordinary shares in issue | 71,917,829 | - | - | - | 71,917,829 |
| Treasury shares | 920,768 | - | - | - | 920,768 |
| Total shares outstanding | 70,997,061 | - | - | - | 70,997,061 |

In accordance with IAS/IFRS, the nominal value of treasury shares acquired in previous years was carried directly to equity whilst the difference between the nominal value and the acquisition price of treasury shares was taken to the share premium reserve.

The Extraordinary Shareholders' Meeting of 31 July 2015, at the same time as approving the share capital increase, also approved the cancellation of the nominal value of the shares that comprise the share capital. Therefore, since that date the nominal value is calculated by dividing the share capital by the number of shares outstanding. At 31 December 2017, this gave an implicit nominal value of Euro 0.59 per share.

Share premium reserve

The share premium reserve was Euro 10.299 million (Euro 35.668 million at 31 December 2016) net of Euro 3.204 million of treasury shares.

Movements in the period under review were as follows:

- a decrease of Euro 25.314 million following the approval of the Shareholders' Meeting of 21 April 2017, to use the share premium reserve to cover losses carried forward;
- a decrease of Euro 0.055 million in pre-paid taxes for the deductible costs of the share capital increase, which in 2015 were taken against equity, net of the tax effect as required by IAS 32 – *Financial Instruments: Presentation*.

Other reserves

Other reserves totalled Euro 8.489 million (Euro 8.489 million at 31 December 2016); this entry was for the legal reserve.

Retained profits/losses

The retained profits were Euro 0.002 million (retained losses of Euro 0.154 million at 31 December 2016). Euro 0.154 million of the increase in this figure followed the approval given at the Shareholders' Meeting of 21 April 2017 to cover the losses carried forward by using the share premium reserve and Euro 0.002 million came from the recalculation of the defined benefit plans net of the tax effect.

Net result for the period

The result for the financial year at 31 December 2017 was a net loss of Euro 0.864 million compared to a net loss of Euro 25.160 million in the previous financial year.

The table below gives a breakdown of share capital and reserves and shows the possible uses and amounts available for distribution for each component, as well as any use made in previous financial years.

Equity available and equity available for distribution

(€'000)

Summary of uses
in the three previous financial
years

| | Balance | Possible uses | Amount available | to cover losses | for other reasons |
|--|---------------|---------------|------------------|-----------------|-------------------|
| Share capital | 41,645 | | | | |
| <i>of which treasury shares</i> | 800 | | | | |
| Capital reserves: | | | | | |
| Share-premium reserve | 10,299 | A,B,C | 10,299 | 48,265 | |
| Other reserves | 8,489 | B | - | 6,107 | |
| Reserves for earnings: | | | | | |
| Other reserves | - | - | - | 3,178 | |
| Retained earnings | 2 | - | - | | |
| Profit (loss) for period | (864) | - | - | | |
| Total | 59,571 | | 10,299 | 57,550 | |
| Amount unavailable for distribution (share-premium reserve) | | | - | | |
| Remainder available for distribution | | | 10,299 | | |

Key

A: for capital increase

B: to cover losses

C: for distribution to shareholders

LIABILITIES

Non-current liabilities

14) Bank borrowings

Bank borrowings totalled Euro 3.503 million (Euro 14.108 million at 31 December 2016):

Bank borrowings

(€'000)

| | 31/12/17 | 31/12/16 | Change |
|-----------------|--------------|---------------|-----------------|
| Bank borrowings | 3,503 | 14,108 | (10,605) |
| Total | 3,503 | 14,108 | (10,605) |

Non-current payables to banks were:

- Euro 0.505 million (Euro 1.505 million at 31 December 2016) for the non-current portion of the Euro 3.000 million financing given by Cassa di Risparmio di Parma e Piacenza SpA on 27 May 2016 and repayable in quarterly instalments in arrears from 27 August 2016 until 27 May 2019 with interest at 3-month Euribor plus a spread of 1.50%;

- Euro 2.998 million (zero at 31 December 2016) for the non-current portion of the Euro 6.000 million financing given by Banco BPM SpA on 4 October 2017 and repayable in quarterly instalments in arrears from 31 December 2017 until 31 December 2019 with interest at 3-month Euribor plus a spread of 1.50%.

The change compared to the figure of the previous financial year (Euro 12.603 million at 31 December 2016) mainly reflected the repayment of the non-current portion of the following loans:

- a Euro 20.000 million loan given by Banca Popolare di Milano SpA on 6 December 2013, and repayable in six-monthly instalments in arrears from 30 June 2014 until 30 June 2018 with interest at 3-month Euribor plus a spread of 2%;
- a Euro 10.000 million loan given by Banca Popolare di Bergamo SpA on 23 May 2016 and repayable in quarterly instalments in arrears from 23 August 2016 until 23 May 2018 with interest at 3-month Euribor plus a spread of 1.85%;
- a Euro 15.000 million loan given by Banca Popolare di Lodi on 25 May 2016 and repayable in quarterly instalments in arrears from 30 June 2016 until 30 June 2018 with interest at 3-month Euribor plus a spread of 1.50%;
- a Euro 5.000 million loan given by Banca Popolare di Lodi on 22 June 2016 and repayable in quarterly instalments in arrears from 30 June 2016 until 30 June 2018 with interest at 3-month Euribor plus a spread of 1.50%;
- a Euro 5.000 million loan given by Banca Nazionale del Lavoro SpA on 22 December 2016 and repayable in monthly instalments in arrears from 22 January 2017 until 22 December 2018 with interest at 1-month Euribor plus a spread of 1.50%.

The loan received on 27 May 2016 is subject to commercial covenants and, for the duration of the loan, the Company has agreed to channel receivables and payables for a specific amount through current accounts opened with Cassa di Risparmio di Parma e Piacenza SpA. The commercial covenants agreed under the loan were met at 31 December 2017.

15) Provisions for risks and charges

| Provisions for risks and charges | (€'000) | | | | |
|--|--------------|------------|-------------|------------------|------------|
| | 31/12/16 | Provisions | Utilisation | Reclassification | 31/12/17 |
| "Palazzo Italia" Berlin project | 1,119 | - | - | (1,119) | - |
| Other provisions for risks and charges | 879 | - | 350 | - | 529 |
| Total | 1,998 | - | 350 | (1,119) | 529 |

Provisions for risks and charges totalled Euro 0.529 million (Euro 1.998 million at 31 December 2016) and were for:

- other risks for potential payments on the outcome of legal disputes with suppliers that were calculated on their probable outcome using internal evaluations and those of external legal consultants (Euro 0.879 million at 31 December 2016).
- zero for the non-current part of the provision for the onerous contract for the Palazzo Italia project in Berlin (Euro 1.119 million at 31 December 2016) following reclassification of the outstanding amount to current provisions for risks and charges as the contract expires on October 2018.

16) Employee benefit provisions

These were Euro 4.967 million (Euro 5.003 million at 31 December 2016).

Employee benefit provisions, calculated using actuarial methods, were for employee severance indemnities that had accrued at 31 December 2017 and were as follows:

| Employee benefit provisions | | | | | (€'000) |
|---|--------------|----------------------|-------------------------------|-----------------|--------------|
| | 31/12/16 | Actuarial evaluation | Indemnities and advances paid | Other movements | 31/12/17 |
| Defined benefit plans | 4,986 | 61 | 102 | 19 | 4,964 |
| Defined benefit plans end-of-term treatment | 17 | 6 | 20 | - | 3 |
| Total | 5,003 | 67 | 122 | 19 | 4,967 |

Actuarial evaluation

(€'000)

| | |
|--|-----------|
| Personnel expenses: | |
| - Indemnities related to defined benefit plans | 6 |
| Financial expenses: | |
| - Actuarial loss | 65 |
| Other comprehensive income: | |
| - Remeasurement of defined benefit plans | (4) |
| Total | 67 |

The Company uses a duly certified professional to determine the actuarial amounts.

The main hypotheses/assumptions used in the actuarial calculations for the defined benefit plans were as follows.

Demographic assumptions

| | |
|--|---|
| Mortality rate | Based on the ISTAT 2011 mortality tables by gender |
| Probability of disability | Based on the disability tables used in the INPS 2010 forecast model |
| Probability of termination of employment | Based on the probable employee turnover rate equal to 5% per annum of the companies being valued |
| Retirement probability | Assumption that the basic requirements needed to receive the compulsory general insurance (<i>Assicurazione Generale Obbligatoria</i>) were met |
| Probability of early retirement | Assumption of 3% per annum and an average amount of 70% of the staff-leaving indemnities of all the companies valued. |

Economic and financial assumption for calculation of severance indemnity provisions

| | 31/12/17 | 31/12/16 |
|---|----------|----------|
| Technical discount rate | 1.30% | 1.30% |
| Annual inflation rate | 1.50% | 1.50% |
| Annual rate of increase in severance indemnity provisions | 2.62% | 2.62% |

The discount rate was calculated with reference to the Eurozone Iboxx Corporate AA index for a period equal to or greater than ten years.

The following table gives sensitivity analyses for the main assumptions used to calculate the liability for defined benefit plans.

Effect of defined benefit plans on debt

(Euro '000)

| Economic and financial assumptions | Range | Base figure (excluding the CEO's termination benefit) | Increase in assumptions | Decrease in assumptions |
|---|------------|---|----------------------------|----------------------------|
| Annual technical discount rate | +/- 0,5% | 4,964 | 4,700 | 5,166 |
| Annual rate of increase in total employees salary | +/- 0,5% | 4,964 | 4,964 | 4,964 |
| Economic and financial assumptions | | | | |
| Life expectancy | +/- 1 anno | 4,964 | 5,005 | 4,923 |

Current liabilities

17) Bank borrowings

Bank borrowings totalled Euro 16.605 million (Euro 44.068 million at 31 December 2016) and the breakdown was as follows:

| Bank borrowings | 31/12/17 | 31/12/16 | Change |
|-------------------|---------------|---------------|-----------------|
| Bank overdrafts | 42 | 18,019 | (17,977) |
| Current financing | 16,563 | 26,049 | (9,486) |
| Total | 16,605 | 44,068 | (27,463) |

Bank borrowings were:

- Euro 0.042 million (Euro 18.019 million at 31 December 2016) of interest payments on current loans taken out in the financial period under review to meet cash requirements. The decrease in bank borrowings compared to the previous financial year was primarily due to the operating cash flow generated in the period under review.

- Credit lines with conditions attached included that from Banca Nazionale del Lavoro SpA, which was for advances on domestic receivables. Under the agreement for the credit line, each year Fiera Milano SpA channels through the bank incoming commercial funds in the form of payments, bank transfers, POS payments and notice payment forms (MAV) for an amount equal to a multiple of the credit line. At 31 December 2017, this credit line had not been used.
- Euro 16.563 million (Euro 26.049 million at 31 December 2016) for the current portions of the bank loans described in Note 14.

Specifically, these were Euro 2.202 million for the financing given on 6 December 2013, Euro 2.892 million for the financing given on 23 May 2016, Euro 3.774 million for the financing given on 25 May 2016, Euro 1.001 million for the financing given on 27 May 2016, Euro 1.258 million for the financing given on 22 June 2016, Euro 2.485 million for the financing given on 22 December 2016, and Euro 2.951 million for the financing given on 4 October 2017.

The loan given on 6 December 2013 is subject to certain financial covenants that include a specified maximum for the Net debt/Equity ratio. These covenants are measured annually. At 31 December 2017, the covenants had been respected. Further details are given in Note 25.2.

In the financial period under review, the commercial covenants agreed with the relevant bank for the credit line granted on 22 December 2016 were met.

Bank borrowings are subject to floating rate interest.

18) Trade payables

Trade payables totalled Euro 27.894 million (Euro 19.839 million at 31 December 2016). Trade payables were mainly to Italian suppliers for the purchase of services required to mount the exhibitions that is the typical business of the Company. The change mainly reflected the higher volumes of business due to the more favourable exhibition calendar.

19) Advances

Advances totalled Euro 38.880 million (Euro 34.670 million at 31 December 2016) and were mainly advances invoiced to clients for exhibitions to be held after the end of the financial year. Revenue recognition is delayed until the exhibition is held.

The table below gives a breakdown by exhibition. The change in advances compared to the previous financial year can be explained by the biennial and multi-annual frequency of some exhibitions.

Advances

(€'000)

| | 31/12/17 | 31/12/16 | Change |
|--|---------------|---------------|--------------|
| HOMI I semester | 10,305 | 11,700 | (1,395) |
| Mostra Convegno Expocomfort | 7,709 | 790 | 6,919 |
| Host | 2,857 | 4,789 | (1,932) |
| Mido | 2,157 | 1,756 | 401 |
| Salone del mobile/Complemento d'arredo | 1,967 | 1,941 | 26 |
| Ipac-Ima | 1,566 | 166 | 1,400 |
| Plast | 1,547 | 71 | 1,476 |
| Lineapelle I semester | 1,204 | 1,800 | (596) |
| Micam Spring | 1,030 | 953 | 77 |
| Expodetergo | 955 | 324 | 631 |
| Promotion Trade Exhibition | 863 | 822 | 41 |
| Bit | 693 | 176 | 517 |
| Simac Tanning-Tech | 677 | 595 | 82 |
| The One Milano | 657 | 611 | 46 |
| Bimu | 648 | - | 648 |
| Milano Unica Spring | 616 | 546 | 70 |
| Eurocucina | 496 | - | 496 |
| Print4all | 458 | 10 | 448 |
| Tuttofood | 344 | 3,108 | (2,764) |
| Salone Internazionale del Bagno | 284 | - | 284 |
| Venditalia | 252 | - | 252 |
| Myplant & Garden | 233 | 132 | 101 |
| Mipel | 219 | 144 | 75 |
| Xylexpo | 202 | - | 202 |
| Meat Tech | 187 | 12 | 175 |
| Sposaitalia | 164 | 175 | (11) |
| Bie-Biomass Innovation Expo | 146 | - | 146 |
| Transpotec & Logitec | - | 1,534 | (1,534) |
| Made Expo | - | 692 | (692) |
| Sicurezza | - | 620 | (620) |
| Euroluce | - | 492 | (492) |
| Lamiera | - | 219 | (219) |
| Made in Steel | - | 103 | (103) |
| Other | 444 | 389 | 55 |
| Total | 38,880 | 34,670 | 4,210 |

This entry included Euro 1.817 million (Euro 0.288 million at 31 December 2016) for related-party transactions. Note 42 provides further details on related-party transactions.

20) Other financial liabilities

Other financial liabilities were Euro 2.676 million (Euro 4.365 million at 31 December 2016) and the breakdown was as follows:

| Other financial liabilities | (€'000) | | |
|---|--------------|--------------|----------------|
| | 31/12/17 | 31/12/16 | Change |
| Financial payables to the controlling shareholder | - | 1,627 | (1,627) |
| Financial payables to the subsidiaries | 2,676 | 2,687 | (11) |
| Finance leases | - | 51 | (51) |
| Total | 2,676 | 4,365 | (1,689) |

The item for financial liabilities to the controlling shareholder refers to the balance in the current account held with Fondazione Fiera Milano. At the end of the reporting period under review, the balance was positive and the amount was included under financial assets.

The item for financial liabilities to subsidiaries refers to the balance in the current account held with Ipack-Ima SpA. This current account is part of the cash pooling agreement of 20 April 2016, effective from 27 April 2016, and shows the daily transactions of the two companies that are offset against each other. The account carries interest rate at 1-month Euribor plus a spread of 1.75%.

The entire entry for other financial payables is a related-party transaction (Euro 4.314 million at 31 December 2016). Note 42 provides further details on related-party transactions.

21) Current provisions for risks and charges

| Current provisions for risks and charges | (€'000) | | | | |
|--|--------------|--------------|--------------|------------------|--------------|
| | 31/12/16 | Provisions | Utilisation | Reclassification | 31/12/17 |
| "Palazzo Italia" Berlin project | 1,473 | 241 | 1,418 | 1,119 | 1,415 |
| Losses on exhibitions | 1,564 | - | 1,564 | - | - |
| Other provisions for risks and charges | 829 | 4,958 | 2,186 | - | 3,601 |
| Total | 3,866 | 5,199 | 5,168 | 1,119 | 5,016 |

Current provisions for risks and charges were Euro 5.016 million (Euro 3.866 million at 31 December 2016) and the breakdown was as follows:

- Euro 1.415 million (Euro 1.473 million at 31 December 2016), for the current portion of the provision for the onerous contract for the Palazzo Italia project in Berlin that expires in October 2018. The total provision, which was Euro 2.592 million at 31 December 2016, was used in the financial period under review. Euro 1.418 million was utilised and there was a further reduction of Euro 0.241 million following an updated assessment of the forecasts for the use of the property;
- Euro 3.601 million (Euro 0.829 million at 31 December 2016) for disputes with employees. The provisions were mainly an estimate of the probable liabilities for the reorganisation of the human resources.

22) Current tax liabilities

Current tax liabilities totalled Euro 1.282 million (Euro 0.905 million at 31 December 2016).

| Current tax liabilities | (€'000) | | |
|--|--------------|------------|------------|
| | 31/12/17 | 31/12/16 | Change |
| Income tax payable in the financial year | 284 | - | 284 |
| Income tax (IRPEF) payable for employees | 895 | 775 | 120 |
| Income tax (IRPEF) payable for temporary employees and project workers | 82 | 108 | (26) |
| Other tax liabilities | 21 | 22 | (1) |
| Total | 1,282 | 905 | 377 |

The change in this figure was mainly due to the increase in IRAP payable, net of any advances, in the financial year under review.

23) Other current liabilities

Other current liabilities totalled Euro 33.918 million (Euro 27.071 million at 31 December 2016).

| Other current liabilities | (€'000) | | |
|---|---------------|---------------|--------------|
| | 31/12/17 | 31/12/16 | Change |
| Trade payables to subsidiaries | 13,633 | 12,796 | 837 |
| Trade payables to Joint Venture | 24 | 318 | (294) |
| Other payables to the controlling shareholder | 299 | 1,314 | (1,015) |
| Payables to controlling shareholder for tax consolidation | 518 | - | 518 |
| Payables to subsidiaries for tax consolidation | 134 | 134 | - |
| Payables to the controlling shareholder for Group VAT | - | 1,477 | (1,477) |
| Payables to pension and social security entities | 1,642 | 1,648 | (6) |
| Payables to directors and statutory auditors | 17 | 25 | (8) |
| Payables to employees | 7,155 | 3,920 | 3,235 |
| Payables to exhibition organisers and others | 9,836 | 5,111 | 4,725 |
| Payables to subsidiaries' exhibition organisers | 15 | 78 | (63) |
| Payables to exhibition organisers in Joint Venture | 468 | 62 | 406 |
| Deferred income | 177 | 188 | (11) |
| Total | 33,918 | 27,071 | 6,847 |

The main changes compared to the previous financial year were as follows:

- an increase in liabilities for personnel that mainly referred to the variable component of employee remuneration;
- higher payables to exhibition organisers due to the increase in payments received on their behalf.

This entry included Euro 15.091 million (Euro 16.179 million at 31 December 2016) for related-party transactions. Note 42 provides further details on related-party transactions.

24) Financial assets and liabilities

At 31 December 2017, the Company had net debt of Euro 8.320 million (net debt of Euro 44.474 million at 31 December 2016) as shown in the following table. Where applicable, the portion of each entry that is a related-party transaction is shown separately.

Net Financial Position

(€'000)

| | 31/12/17 | 31/12/16 | Change |
|---|---------------|---------------|-----------------|
| A. Cash (including bank balances) | 7,691 | 11,983 | (4,292) |
| B. Other cash equivalents | - | - | - |
| C. Securities held for trading | - | - | - |
| D. Cash and cash equivalents (A+B+C) | 7,691 | 11,983 | (4,292) |
| E. Current financial assets | 6,773 | 6,084 | 689 |
| - E.1 of which current financial receivables from the controlling shareholder | 700 | - | 700 |
| - E.2 of which current financial receivables from the subsidiaries | 6,073 | 6,084 | (11) |
| F. Current bank borrowings | 42 | 18,019 | (17,977) |
| G. Current portion of non-current debt | 16,563 | 26,049 | (9,486) |
| H. Other current financial liabilities | 2,676 | 4,365 | (1,689) |
| - H.1 of which current financial payables to the controlling shareholder | - | 1,627 | (1,627) |
| - H.2 of which current financial payables to the subsidiaries | 2,676 | 2,687 | (11) |
| I. Current financial debt (F+G+H) | 19,281 | 48,433 | (29,152) |
| J. Net current financial debt (cash) (I-E-D) | 4,817 | 30,366 | (25,549) |
| K. Non-current bank borrowings | 3,503 | 14,108 | (10,605) |
| L. Debt securities in issue | - | - | - |
| M. Other non-current liabilities | - | - | - |
| N. Non-current net financial debt (K+L+M) | 3,503 | 14,108 | (10,605) |
| Net financial debt (cash) from continuing operations (J+N) | 8,320 | 44,474 | (36,154) |
| Net financial debt (cash) from discontinued operations | - | - | - |
| O. Net financial debt (cash) | 8,320 | 44,474 | (36,154) |

Net debt fell by Euro 36.154 million in the financial year under review. This improvement was due to the generation of operating cash flows and the trend in net working capital that reflected higher payments and advances for exhibitions.

Additional information on the financial instruments of the Company is given below to enable a better assessment of:

- a) the importance of financial instruments for the Statement of Financial Position and Income Statement;
- b) the significance and type of risks deriving from the financial instruments to which the Company was exposed during the financial year under review and the previous financial year and the relevant risk management procedures.

Classes of financial instruments

The items in the Statement of Financial Position and the types of risk related to financial instruments at 31 December 2017 and 31 December 2016 are shown in the following table:

Risk class

| (€'000) | Notes | Balance at 31/12/2017 | Balance at 31/12/2016 | Liquidity risk | Interest rate risk | Credit risk |
|--------------------------------|-----------------------------|--------------------------|--------------------------|-------------------|-----------------------|----------------|
| NON-CURRENT ASSETS | | | | | | |
| 1) | Trade and other receivables | 6 | 11,680 | 12,469 | | X |
| CURRENT ASSETS | | | | | | |
| 2) | Trade and other receivables | 8 | 31,616 | 33,866 | | X |
| 3) | Current financial assets | 10 | 6,773 | 6,084 | X | |
| 4) | Cash and cash equivalents | 11 | 7,691 | 11,983 | X | |
| NON-CURRENT LIABILITIES | | | | | | |
| 5) | Bank borrowings | 14 | 3,503 | 14,108 | X | X |
| CURRENT LIABILITIES | | | | | | |
| 7) | Bank borrowings | 17 | 16,605 | 44,068 | X | X |
| 8) | Trade payables | 18 | 27,894 | 19,839 | X | |
| 9) | Other financial liabilities | 20 | 2,676 | 4,365 | X | X |
| 10) | Other current liabilities | 23 | 33,918 | 27,071 | X | |

Significance of financial instruments

Financial instruments and their relative significance, as regards the Statement of Financial Position and Income Statement at 31 December 2016 and 31 December 2017, are shown in the following tables:

Financial assets and liabilities shown in the accounts

| (€'000) | Notes | FY 31/12/2016 | Assets at fair value (a) through profit and loss | Loans and receivables | Investments held to maturity | Liabilities at amortised cost | Fair value | Impact on Income Statement |
|--------------------------------|-----------------------------|------------------|---|-----------------------------|------------------------------------|-------------------------------------|------------|----------------------------------|
| NON-CURRENT ASSETS | | | | | | | | |
| 1) | Trade and other receivables | 6 | 12,469 | - | 12,469 | - | 12,469 | 24 |
| CURRENT ASSETS | | | | | | | | |
| 2) | Trade and other receivables | 8 | 33,866 | - | 33,866 | - | 33,866 | (1,470) |
| 3) | Current financial assets | 10 | 6,084 | - | 6,084 | - | 6,084 | 257 |
| 4) | Cash and cash equivalents | 11 | 11,983 | - | 11,983 | - | 11,983 | 9 |
| NON-CURRENT LIABILITIES | | | | | | | | |
| 5) | Bank borrowings | 14 | 14,108 | - | - | - | 14,108 | (809) |
| CURRENT LIABILITIES | | | | | | | | |
| 7) | Bank borrowings | 17 | 44,068 | - | - | - | 44,068 | (95) |
| 8) | Trade payables | 18 | 19,839 | - | - | - | 19,839 | - |
| 9) | Other financial liabilities | 20 | 4,365 | - | - | - | 4,365 | (143) |
| 10) | Other current liabilities | 23 | 27,071 | - | - | - | 26,937 | - |

(a) Fair value at the recognition date

Financial assets and liabilities shown in the accounts

| (€'000) | Notes | FY 31/12/2017 | Assets at fair value (a) through profit and loss | Loans and receivables | Investments held to maturity | Liabilities at amortised cost | Fair value | Impact on Income Statement |
|--------------------------------|-----------------------------|------------------|--|-----------------------------|------------------------------------|-------------------------------------|------------|----------------------------------|
| NON-CURRENT ASSETS | | | | | | | | |
| 1) | Trade and other receivables | 6 | 11,680 | - | 11,680 | - | 11,680 | 12 |
| CURRENT ASSETS | | | | | | | | |
| 2) | Trade and other receivables | 8 | 31,616 | - | 31,616 | - | 31,616 | (467) |
| 3) | Current financial assets | 10 | 6,773 | - | 6,773 | - | 6,773 | 171 |
| 4) | Cash and cash equivalents | 11 | 7,691 | - | 7,691 | - | 7,691 | 5 |
| NON-CURRENT LIABILITIES | | | | | | | | |
| 5) | Bank borrowings | 14 | 3,503 | - | - | - | 3,503 | (479) |
| CURRENT LIABILITIES | | | | | | | | |
| 7) | Bank borrowings | 17 | 16,605 | - | - | - | 16,605 | (81) |
| 8) | Trade payables | 18 | 27,894 | - | - | - | 27,894 | - |
| 9) | Other financial liabilities | 20 | 2,676 | - | - | - | 2,676 | (204) |
| 10) | Other current liabilities | 23 | 33,918 | - | - | - | 33,266 | - |

(a) Fair value at the recognition date

As shown in the above tables, the carrying value of financial assets and liabilities is a reasonable approximation of their fair value; most of the financial instruments are current investments and borrowings and where non-current instruments have been used these have not been subject to significant contingent charges. The financial instruments are classifiable under Level 3 of the fair value hierarchy of IFRS 13 – *Fair Value Measurement*

Changes in liabilities due to financing transactions are shown in the following table:

Changes in liabilities from financing activities

(Euro '000)

| | 31/12/16 | Changes in financial flows | | 31/12/17 |
|---|---------------|----------------------------|----------------|---------------|
| | | Increase | Decrease | |
| Non-current bank loans | 14,108 | 2,998 | 13,603 | 3,503 |
| Total change in non-current financial payables | 14,108 | 2,998 | 13,603 | 3,503 |
| Credit lines | 18,019 | - | 17,977 | 42 |
| Bank loans | 26,049 | 2,951 | 12,437 | 16,563 |
| Current financial debt with the controlling shareholder | 1,627 | 54,569 | 56,196 | - |
| Current financial debt with the subsidiaries | 2,687 | 58 | 69 | 2,676 |
| Lease financing | 51 | - | 51 | - |
| Total change in current financial payables | 48,433 | 57,578 | 86,730 | 19,281 |
| Total liabilities from financing activities | 62,541 | 60,576 | 100,333 | 22,784 |

25) Financial and market risk management

The main financial instruments used by Fiera Milano SpA are bank financing, current accounts and current financial loans from the controlling shareholder Fondazione Fiera Milano.

The Company has a favourable cash management cycle from the business of renting exhibition space to organisers and offering administrative and cash management services, receiving on behalf of the organisers everything that the exhibitors pay the organiser. After receiving the cash, Fiera Milano SpA, depending on the contractual agreements, retrocedes to the organiser what is its due and keeps the payment for the space rented out in the exhibition venues. The suppliers of goods and services are paid using normal payment conditions. This system allows the Company to receive in advance the sums it is due and thereby generate negative working capital, which, in turn, gives a cash surplus.

The Company is exposed to the following different types of risk.

25.1 Credit risk

Credit risk is represented by the exposure of Fiera Milano SpA to potential losses from the non-fulfilment of obligations undertaken by counterparties. Credit risk is adequately monitored, as is that pertaining to the cash management that characterises the Company business. Fiera Milano SpA hosts and organises exhibitions that are leaders in their sector and, therefore, the loyalty of exhibitors is high. The current system means that all receipts from exhibitors flow into the Fiera Milano SpA accounts and it is Fiera Milano SpA that retrocedes to its clients/organisers the amounts due to them.

Three different categories of credit risk have been identified: organisers, exhibitors and other receivables.

The first risk category is represented by the exhibition **organisers**; the receivables included in this category are considered to represent the lowest risk as the Company manages the cash flows of all the exhibitions at the two sites. Provisions for doubtful receivables are minimal in comparison to the amounts received and have been made for a few receivables that are proving difficult to recover.

The second risk category is the **exhibitors**; the receivables from this category are considered medium risk as exhibitors normally have to make payment before the end of the exhibition.

The third risk category is **other receivables**, which mainly comprises exhibition-related activities (stand-fitting, congresses, promotions, internet services) and activities that are not exhibition-related (sponsorship, advertising, etc.). These receivables are payable under normal payment conditions.

The Company sometimes uses bank guarantees as a further means of counteracting credit risk.

The categories of credit risk at 31 December 2016 and at 31 December 2017 and the breakdown of overdue payments are shown in the following tables:

| (€'000) | | | | | | | | |
|--------------|---------------------------------|--------------|---------------|-----------------------------------|------------|--------------|--------------|--------------|
| Class | FY 31/12/2016 Receivables | Due | Overdue | Breakdown of late payments (days) | | | | Provision |
| | | | | 0-90 | 91-180 | 181-270 | >270 | |
| Organisers | 3,170 | 1,721 | 3,421 | 1,079 | - | 65 | 2,277 | 1,972 |
| Exhibitors | 14,454 | 712 | 15,852 | 11,830 | 655 | 1,149 | 2,218 | 2,110 |
| Other | 7,287 | 3,795 | 5,209 | 2,241 | 242 | 252 | 2,474 | 1,717 |
| Total | 24,911 | 6,228 | 24,482 | 15,150 | 897 | 1,466 | 6,969 | 5,799 |

| (€'000) | | | | | | | | |
|--------------|---------------------------------|---------------|---------------|-----------------------------------|------------|------------|--------------|--------------|
| Class | FY 31/12/2017 Receivables | Due | Overdue | Breakdown of late payments (days) | | | | Provision |
| | | | | 0-90 | 91-180 | 181-270 | >270 | |
| Organisers | 2,895 | 1,427 | 3,163 | 1,212 | 88 | - | 1,863 | 1,695 |
| Exhibitors | 11,999 | 8,061 | 5,352 | 2,712 | 271 | 542 | 1,827 | 1,414 |
| Other | 9,682 | 5,707 | 5,262 | 2,682 | 22 | 393 | 2,165 | 1,287 |
| Total | 24,576 | 15,195 | 13,777 | 6,606 | 381 | 935 | 5,855 | 4,396 |

The provision for doubtful receivables is based on presumed recoverability, using internal assessments supported by those of external legal consultants.

Changes in the provision for doubtful receivables by class of risk are shown in the following table:

(€'000)

| Class | FY 31/12/2015 Provision | Provisions | Utilisation | FY 31/12/2016 Provision |
|--------------|----------------------------|--------------|--------------|----------------------------|
| Organisers | 2,073 | - | 101.0 | 1,972 |
| Exhibitors | 1,681 | 1,356 | 927 | 2,110 |
| Other | 1,988 | 119 | 390 | 1,717 |
| Total | 5,742 | 1,475 | 1,418 | 5,799 |

(€'000)

| Class | FY 31/12/2016 Provision | Provisions | Utilisation | FY 31/12/2017 Provision |
|--------------|----------------------------|------------|--------------|----------------------------|
| Organisers | 1,972 | 128 | 405 | 1,695 |
| Exhibitors | 2,110 | 485 | 1,181 | 1,414 |
| Other | 1,717 | 21 | 451 | 1,287 |
| Total | 5,799 | 634 | 2,037 | 4,396 |

25.2 Liquidity risk

Although the Company has taken measures to ensure that it has adequate levels of working capital and liquidity, a drop in business volumes caused by the seasonality and cyclicity that characterise the exhibition business could affect its financial results and its ability to generate cash flow.

Net debt at 31 December 2017 showed a significant improvement on the figure at 31 December 2016. This reflected a more favourable exhibition calendar and, in particular, the advances received from organisers to confirm their participation in events, as well as the general performance of the exhibition sector that is showing material and valid signs of a recovery.

The aim of the Company risk management and its use of debt aim to guarantee an adequate level of liquidity, minimising the opportunity cost and maintaining a balance in terms of the duration and composition of debt.

To cover its investments, over the years, the Company has transferred part of its current debt to non-current debt by agreeing a series of loans that last from two to five years.

As described in Note 17, the non-current loan granted to the Company by Banca Popolare di Milano SpA on 6 December 2013, of which Euro 2.202 million was still outstanding at 31 December 2017, is subject to financial covenants that are measured annually. At 31 December 2017, these covenants had been met.

The credit lines currently existing with banks, together with forecast operating cash flows, were considered sufficient to cover short-term financial requirements despite the peaks in cash absorption that are concentrated in the months when there are no exhibitions and when financial requirements are covered using the funds available in the current account held with the controlling shareholder Fondazione Fiera Milano.

Maintaining the financial equilibrium of the Company is also dependent on attaining the targets of the Industrial Plan, as well as on the performance of the economy, forecasts for which necessitate an assessment of the outcome of future events and circumstances that by their very nature are uncertain.

The tables below give the breakdown of financial liabilities by maturity date and the outstanding interest payable to maturity at 31 December 2016 and 31 December 2017.

Financial liabilities

| (€' 000) | FY at 31/12/2016 | 3 mths | 6 mths | 12 mths | 18 mths | 24 mths | 3 years | 5 years | >5 years |
|-------------------------------------|---------------------|---------------|---------------|---------------|---------------|--------------|------------|---------|----------|
| Current bank payables | 44,068 | 23,521 | 7,852 | 12,695 | | | | | |
| Current interest payable | | 177 | 134 | 185 | | | | | |
| Other current financial liabilities | 4,365 | | 4,178 | 187 | | | | | |
| Current interest payable | | | 38 | 1 | | | | | |
| Non-current bank borrowings | 14,108 | | | | 11,860 | 1,744 | 504 | | |
| Non-current interest payable | | | | | 87 | 9 | 2 | | |
| Trade payables | 19,839 | 19,839 | | | | | | | |
| Total | 82,380 | 43,537 | 12,202 | 13,068 | 11,947 | 1,753 | 506 | - | - |

Financial liabilities

| (€' 000) | FY at 31/12/2017 | 3 mths | 6 mths | 12 mths | 18 mths | 24 mths | 3 years | 5 years | >5 years |
|-------------------------------------|---------------------|---------------|---------------|--------------|--------------|--------------|---------|---------|----------|
| Current bank payables | 16,605 | 5,605 | 7,776 | 3,224 | | | | | |
| Current interest payable | | 75 | 54 | 41 | | | | | |
| Other current financial liabilities | 2,676 | | 2,676 | | | | | | |
| Current interest payable | | | 20 | | | | | | |
| Non-current bank borrowings | 3,503 | | | | 1,998 | 1,505 | | | |
| Non-current interest payable | | | | | 22 | 9 | | | |
| Trade payables | 27,894 | 27,894 | | | | | | | |
| Total | 50,678 | 33,574 | 10,526 | 3,265 | 2,020 | 1,514 | - | - | - |

25.3 Market risk

The Company strategy is not to use derivative instruments in order to minimise market risk.

a) Interest rate risk

The Company has access to credit lines at competitive rates and is able to manage interest rate fluctuations. Moreover, the Company constantly monitors market conditions so as to intervene promptly should conditions change.

Notes 14 and 17 give the composition of non-current and current bank borrowings.

The tables below give interest rate sensitivity analyses that show the effect of a +0.5% and a -0.5% change in interest rates on financial income and expenses, equity and on profit or loss for the 2016 and 2017 financial years.

| (€'000) | Balance at 31/12/2016 | Balance * (debt) | Income (expense) | Rate | 0.5% | -0.5% |
|---|--------------------------|---------------------|---------------------|-------|---------|-------|
| Current accounts | 11,890 | 13,995 | 9 | 0.06% | 78 | (62) |
| Current financial receivables from subsidiaries and joint venture | 6,084 | 7,886 | 257 | 3.26% | 297 | 218 |
| Current account with the controlling shareholder | (1,627) | (6,039) | (107) | 1.77% | (137) | (77) |
| Current account with the subsidiaries | (2,687) | (1,813) | (32) | 1.77% | (41) | (23) |
| Current financial liabilities | (18,019) | (10,199) | (95) | 0.93% | (146) | (44) |
| Current and non-current bank borrowings | (40,157) | (38,170) | (809) | 2.12% | (1,000) | (618) |
| Other current and non-current financial liabilities | (51) | (101) | (4) | 3.96% | (5) | (3) |

*average for the financial year

| (€'000) | Balance at 31/12/2017 | Balance * (debt) | Income (expense) | Rate | 0.5% | -0.5% |
|---|--------------------------|---------------------|---------------------|-------|-------|-------|
| Current accounts | 7,668 | 15,576 | 5 | 0.03% | 83 | (73) |
| Current financial receivables from subsidiaries and joint venture | 6,073 | 7,860 | 171 | 2.18% | 211 | 132 |
| Current account with the controlling shareholder | 700 | (9,594) | (157) | 1.64% | (205) | (109) |
| Current account with the subsidiaries | (2,676) | (2,685) | (47) | 1.75% | (60) | (34) |
| Current financial liabilities | (42) | (10,011) | (81) | 0.81% | (131) | (31) |
| Current and non-current bank borrowings | (20,066) | (30,925) | (479) | 1.55% | (634) | (325) |

*average for the financial year

b) Exchange rate risk

This risk is insignificant as, in the financial year to 31 December 2017, the business of the Company was primarily in the domestic market and it took out no loans in foreign currencies.

c) Risk of movements in raw material prices

The exposure of Fiera Milano SpA to movements in raw material prices remained insignificant in the financial year to 31 December 2017; the Company's activities were mainly focused on the domestic market and it had no loans in foreign currencies.

26) Disclosure on guarantees given, undertakings and other potential liabilities

Guarantees given

These totalled Euro 2.875 million (Euro 1.635 million at 31 December 2016) and the breakdown was as follows:

- BRL (Brazilian real) 7.700 million, equivalent to Euro 1.938 million, for the guarantee given by the Company to Banco BNP Paribas Brasil SA on behalf of the subsidiary Cipa FM to cover the bank loans given by the bank;
- Euro 0.924 million for the guarantee given to Conserva Holding Srl on behalf of the subsidiary Nolostand SpA for the obligations under the lease agreement for a warehouse;
- Euro 0.013 million for other guarantees.

Potential liabilities

The Parent Company is involved in several legal disputes. Although the outcome of these disputes is currently uncertain, the legal consultant charged with calculating the liability should all the disputes have adverse outcomes has put the figure at approximately Euro 0.500 million.

INCOME STATEMENT

REVENUES

27) Revenues from sales and services

Revenues from sales and services were Euro 219.542 million (Euro 173.421 million at 31 December 2016).

The breakdown of revenues was as follows:

Revenues from sales and services

| | (€'000) | | |
|--|----------------|----------------|---------------|
| | 2017 | 2016 | Change |
| Rent of space to exhibitors | 75,157 | 28,101 | 47,056 |
| Facility fee for use of exhibition centre | 67,918 | 73,494 | (5,576) |
| Rentals of stands, fittings, and equipment | 28,939 | 30,312 | (1,373) |
| Catering and canteen services | 19,443 | 17,570 | 1,873 |
| Exhibition site services | 6,434 | 6,216 | 218 |
| Advertising space and services | 4,397 | 3,549 | 848 |
| Miscellaneous fees and royalties | 3,868 | 4,198 | (330) |
| Supplementary exhibition services | 3,115 | 2,268 | 847 |
| Exhibition insurance services | 2,552 | 2,219 | 333 |
| Access surveillance and customer care services | 1,952 | 1,851 | 101 |
| Facility fees for use of conference centre | 1,384 | 1,009 | 375 |
| Ticket sales | 1,161 | 371 | 790 |
| Telephone and internet services | 1,149 | 1,091 | 58 |
| Revenues from publishing products | 994 | 6 | 988 |
| Administrative services | 654 | 641 | 13 |
| Services from event organisation | 243 | 40 | 203 |
| Other | 182 | 485 | (303) |
| Total | 219,542 | 173,421 | 46,121 |

The increase in revenues was mainly attributable to the more favourable exhibition calendar that, in the financial year under review, included the directly organised biennial exhibitions held in uneven-numbered years Host, Tuttofood and Sicurezza and the hosted exhibition Made Expo also held in uneven-numbered years. There was also a positive impact on revenues from the new exhibitions (Lamiera, Tempo di Libri, Versilia Yachting Rendez-Vous and MAM-Mostra A Milano Arte e Antiquariato) and the positive results of Promotion Trade Exhibition, which, in 2016, was a hosted exhibition. This was, in part, offset by the absence of revenues from the important biennial exhibition Mostra Convegno Expocomfort hosted in even-numbered years.

Revenues from sales and services included Euro 5.897 million (Euro 4.514 million at 31 December 2016) for related-party transactions. Note 42 provides further details on related-party transactions.

The business of the Company is almost exclusively concentrated in the domestic market.

OPERATING COSTS

28) Costs of materials

These were Euro 0.871 million (Euro 0.506 million at 31 December 2016).

The breakdown was as follows:

| Cost of materials | (€'000) | | |
|---|------------|------------|------------|
| | 2017 | 2016 | Change |
| Printed materials, forms and stationery | 632 | 355 | 277 |
| Subsidiary materials and consumables | 249 | 152 | 97 |
| Use of provisions | (10) | (1) | (9) |
| Total | 871 | 506 | 365 |

The increase in printed forms, materials and stationery was caused by the higher business volumes for the biennial exhibitions held in uneven-numbered years and directly organised by the Company.

This entry included Euro 0.120 million (Euro 0.003 million at 31 December 2016) for related-party transactions. Note 42 provides further details on related-party transactions.

29) Costs for services

These totalled Euro 120.382 million (Euro 100.613 million at 31 December 2016).

The breakdown was as follows:

Cost of services

| | (€'000) | | |
|--|----------------|----------------|---------------|
| | 2017 | 2016 | Change |
| Stands and equipment for exhibitions | 35,757 | 34,518 | 1,239 |
| Catering | 15,955 | 14,334 | 1,621 |
| Cost of marketing projects for exhibitions | 10,256 | 6,101 | 4,155 |
| Technical, legal, commercial and administrative services | 9,132 | 6,361 | 2,771 |
| Energy costs | 8,100 | 8,016 | 84 |
| Cleaning and waste disposal | 5,164 | 4,078 | 1,086 |
| Maintenance | 5,085 | 5,610 | (525) |
| Security and gate services | 4,933 | 4,603 | 330 |
| IT services | 4,169 | 3,825 | 344 |
| Advertising | 3,887 | 2,385 | 1,502 |
| Other professional and collaborative services | 3,742 | 2,311 | 1,431 |
| Insurance | 2,763 | 2,922 | (159) |
| Change in suspended costs for future exhibitions | 2,234 | (3,271) | 5,505 |
| Telephone and internet expenses | 1,709 | 1,303 | 406 |
| Technical assistance and ancillary services | 1,261 | 1,147 | 114 |
| Transport | 707 | 595 | 112 |
| Ticketing | 490 | 515 | (25) |
| Remuneration of statutory auditors | 103 | 110 | (7) |
| Conference and congress services | 82 | 69 | 13 |
| Other | 6,389 | 5,356 | 1,033 |
| Use of provisions | (1,536) | (275) | (1,261) |
| Total | 120,382 | 100,613 | 19,769 |

Costs of services mainly included costs for managing the exhibition sites during the setting up, running, and dismantling of exhibitions and congresses.

The figure increased by Euro 19.769 million, compared to the figure at 31 December 2016, due to higher business volumes reflecting the more favourable exhibition calendar. The increase in costs for services was also due to higher costs for consultancy services to upgrade the corporate procedures and the Model under Legislative Decree 231/2001, for costs incurred to launch new exhibitions and to reposition Bit.

The entry includes Euro 38.683 million (Euro 33.123 million at 31 December 2016) for related-party transactions. Note 42 provides further details on related-party transactions.

30) Cost of use of third-party assets

This entry totalled Euro 43.511 million (Euro 43.551 million at 31 December 2016) and the breakdown was as follows:

Cost of use of third-party assets

| | (€'000) | | |
|--|---------------|---------------|-------------|
| | 2017 | 2016 | Change |
| Rent and expenses for exhibition sites | 42,011 | 42,390 | (379) |
| Other rental expenses | 2,223 | 2,184 | 39 |
| Vehicle hire | 433 | 437 | (4) |
| Office equipment and photocopier hire | 18 | 20 | (2) |
| Use of provisions | (1,174) | (1,480) | 306 |
| Total | 43,511 | 43,551 | (40) |

The item, rent and expenses for exhibition sites, included the rent of Euro 41.846 million payable to the controlling shareholder Fondazione Fiera Milano. The figure for rent incorporates the repayment recognised by Fondazione Fiera Milano due to the unavailability of the exhibition areas that were used by Expo 2015. Other rental expenses included Euro 1.950 million under the onerous contract for the Palazzo Italia in Berlin.

The total rental costs for the Rho and Milan exhibition sites and for the MiCo congress centre for the following periods are:

- year 2018: Euro 42.551 million;
- 1 – 5 years: Euro 171.892 million;
- beyond 5 years: Euro 21.699 million.

The entry includes Euro 42.132 million (Euro 42.483 million at 31 December 2016) for related-party transactions. Note 42 provides further details on related-party transactions.

31) Personnel costs

These totalled Euro 35.692 million (Euro 32.245 million at 31 December 2016) and the breakdown was as follows:

| Personnel expenses | (€'000) | | |
|--------------------------------------|---------------|---------------|--------------|
| | 2017 | 2016 | Change |
| Salaries | 24,537 | 21,263 | 3,274 |
| Social Security payments | 7,505 | 6,779 | 726 |
| Redundancy incentives | 1,485 | 712 | 773 |
| Defined contribution plans charges | 1,420 | 1,387 | 33 |
| Directors' remuneration | 886 | 1,007 | (121) |
| Seconded employees from subsidiaries | 598 | 820 | (222) |
| External and temporary employees | 402 | 248 | 154 |
| Defined benefit plans charges | 6 | 9 | (3) |
| Other expenses | 644 | 673 | (29) |
| Use of provisions | (1,791) | (653) | (1,138) |
| Total | 35,692 | 32,245 | 3,447 |

Salaries, remuneration and related social security contributions rose mainly due to an increase in the variable component of remuneration and due to the number of employees taken on as part of the organisational restructuring of the corporate governance area.

The entry includes Euro 0.598 million (Euro 0.820 million at 31 December 2016) for related-party transactions. Note 42 provides further details on related-party transactions.

The breakdown of the average number of employees (including those on fixed-term contracts) was as follows:

Breakdown of personnel by category

| | 2017 | 2016 | Change |
|--|------------|------------|----------|
| Managers | 24 | 24 | - |
| Middle managers and white collar workers | 410 | 409 | 1 |
| Total | 434 | 433 | 1 |

32) Other operating expenses

This entry totalled Euro 4.991 million (Euro 3.519 million at 31 December 2016) and the breakdown was as follows:

| Other operating expenses | (€'000) | | |
|--|--------------|--------------|--------------|
| | 2017 | 2016 | Change |
| Other tax expenses | 3,172 | 2,842 | 330 |
| Doubtful receivables covered by provisions | 2,051 | 1,418 | 633 |
| Association fees | 348 | 248 | 100 |
| Subscriptions | 21 | 35 | (14) |
| Other expenses | 1,474 | 446 | 1,028 |
| Use of provisions | (2,075) | (1,470) | (605) |
| Total | 4,991 | 3,519 | 1,472 |

The increase in other costs was mainly due to the payment made to the minority shareholder of Worldex Fiera Milano Exhibitions Co. to terminate the contractual relationship under the agreement.

The entry includes Euro 0.369 million (Euro 0.974 million at 31 December 2016) for related-party transactions. Note 42 provides further details on related-party transactions.

33) Other income

Other income was Euro 5.698 million (Euro 5.230 million at 31 December 2016) and the breakdown was as follows:

| Other income | (€'000) | | |
|---|--------------|--------------|------------|
| | 2017 | 2016 | Change |
| Other recovered costs | 2,347 | 2,168 | 179 |
| Recovery of expenses for seconded employees | 914 | 746 | 168 |
| Office rent and expenses | 688 | 719 | (31) |
| Insurance indemnities | 43 | 57 | (14) |
| Other income | 1,706 | 1,540 | 166 |
| Total | 5,698 | 5,230 | 468 |

The entry includes Euro 4.564 million (Euro 3.985 million at 31 December 2016) for related-party transactions. Note 42 provides further details on related-party transactions.

34) Provisions for doubtful receivables and other provisions

These totalled Euro 4.901 million (Euro 5.241 million at 31 December 2016). Changes in these provisions are shown in the following table:

Write down of doubtful receivables and other provisions

| | (€'000) | | |
|------------------------------------|--------------|--------------|--------------|
| | 2017 | 2016 | Change |
| Disputes with personnel | 4,708 | 1,220 | 3,488 |
| Write-down of doubtful receivables | 634 | 1,475 | (841) |
| Reorganisation of personnel | 250 | - | 250 |
| Palazzo Italia project | 241 | 1,029 | (788) |
| Losses on future exhibitions | - | 1,564 | (1,564) |
| Other disputes | - | 18 | (18) |
| Write-back of provisions | (932) | (65) | (867) |
| Total | 4,901 | 5,241 | (340) |

Notes 8, 15 and 21 to the Statement of Financial Position provide further details on movements in risk provisions.

35) Depreciation and amortisation

Depreciation of property, plant and machinery

This was Euro 1.136 million (Euro 1.312 million at 31 December 2016).

The item included a negative figure of Euro 0.025 million (a negative figure of Euro 0.030 million at 31 December 2016) for use of part of the risk provisions for depreciation under the contract for the Palazzo Italia.

Details of depreciation are provided in the Notes to the Accounts under the entry for property, plant and equipment.

Amortisation of intangible asset

This was Euro 1.815 million (Euro 2.721 million at 31 December 2016).

The decrease in the figure mainly reflected the end of amortisation of certain asset groups and the lower investments in the period under review.

Details of amortisation are provided in the Notes to the Accounts under the entry for intangible assets with a finite useful life.

36) Impairment charges

These totalled Euro 1.534 million (Euro 3.333 million at 31 December 2016) as shown in the following table:

Adjustments to asset values

| | (€'000) | | |
|-------------------------------------|--------------|--------------|----------------|
| | 2017 | 2016 | Change |
| Impairment of exhibition trademarks | 1,534 | 3,333 | (1,799) |
| Total | 1,534 | 3,333 | (1,799) |

Note 4 to the Statement of Financial Position provides further details on impairment losses.

37) Financial income and similar

These totalled Euro 2.681 million (Euro 6.364 million at 31 December 2016) and the breakdown was as follows:

Financial income and similar

| | (€'000) | | |
|--|--------------|--------------|----------------|
| | 2017 | 2016 | Change |
| Dividends | 2,254 | 6,006 | (3,752) |
| Interest income on financing to subsidiaries | 134 | 225 | (91) |
| Interest income on financing to Joint Venture | 37 | 32 | 5 |
| Exchange rate gains | 12 | 11 | 1 |
| Interest income from cautionary deposits for rent of the exhibition sites from the controlling shareholder | 10 | 21 | (11) |
| Interest income on bank accounts | 5 | 9 | (4) |
| Interest income on receivables from the controlling shareholder | 2 | 4 | (2) |
| Other financial income | 227 | 56 | 171 |
| Total | 2,681 | 6,364 | (3,683) |

The decrease was mainly attributable to the lower dividends distributed by subsidiaries and joint ventures.

This entry includes Euro 2.437 million (Euro 6.288 million at 31 December 2016) for related-party transactions. Note 42 provides further details on related-party transactions.

38) Financial expenses and similar

These totalled Euro 0.852 million (Euro 1.191 million at 31 December 2016) and the breakdown was as follows:

Financial expenses and similar

(€'000)

| | 2017 | 2016 | Change |
|---|------------|--------------|--------------|
| Interest payable on bank accounts | 572 | 919 | (347) |
| Interest payable on current account held with the controlling shareholder | 157 | 107 | 50 |
| Expenses from calculation of net present value of defined benefit plans | 65 | 116 | (51) |
| Interest payable on current account held with the subsidiaries | 47 | 31 | 16 |
| Exchange rate losses | 8 | 9 | (1) |
| Other financial expenses | 5 | 9 | (4) |
| Use of provisions | (2) | - | (2) |
| Total | 852 | 1,191 | (339) |

The change in this entry compared to the previous financial year was due to the decrease in financial expenses from lower average current and non-current debt.

This entry includes Euro 0.204 million (Euro 0.138 million at 31 December 2016) for related-party transactions. Note 42 provides further details on related-party transactions.

39) Valuation of financial assets

Valuation of financial assets

(€'000)

| | 2017 | 2016 | Change |
|--|----------------|-----------------|--------------|
| Fiera Milano Media SpA | (7,359) | (3,893) | (3,466) |
| Eurofairs International Consultoria e Participações Ltda | (1,567) | (4,990) | 3,423 |
| Fiera Milano Exhibitions Africa Pty Ltd | (297) | (5,472) | 5,175 |
| La Fabbrica del Libro SpA | (536) | - | (536) |
| Fiera Milano India Pvt Ltd | (18) | (23) | 5 |
| Worldex (China) Exhibition & Promotion Ltd | - | (5,128) | 5,128 |
| Limited Liability Company Fiera Milano | - | (15) | 15 |
| Total | (9,777) | (19,521) | 9,744 |

This entry was negative for Euro 9.777 million (negative for Euro 19.521 million at 31 December 2016). The change in the valuation of financial assets was mainly attributable to the impairment losses already detailed in Note 5 to the Statement of Financial Position.

40) Income tax

Income taxes were Euro 3.322 million (a negative figure of Euro 3.579 million at 31 December 2016).

The breakdown was as follows:

| Income tax | (€'000) | | |
|---------------------|--------------|----------------|--------------|
| | 2017 | 2016 | Change |
| Current income tax | 1,237 | (3,608) | 4,845 |
| Deferred income tax | 2,085 | 29 | 2,056 |
| Total | 3,322 | (3,579) | 6,901 |

The higher tax figure primarily reflects the release of deferred taxes for tax losses that were offset by the taxable income generated in the financial year and an increase in current taxes.

The breakdown of current taxes at 31 December 2017 was as follows:

| Current income tax | (€'000) | | |
|--|--------------|----------------|--------------|
| | 2017 | 2016 | Change |
| Current income tax - IRAP | 730 | (371) | 1,101 |
| Income/expenses from tax consolidation | 480 | (3,237) | 3,717 |
| Other | 27 | - | 27 |
| Total | 1,237 | (3,608) | 4,845 |

Starting in 2016, Fiera Milano SpA and some of its Italian subsidiaries opted to adhere to the tax consolidation of Fondazione Fiera Milano acting as the consolidating entity. This decision is binding for the 2016, 2017 and 2018 financial years.

The negative item from the tax consolidation is the sum payable to Fondazione Fiera Milano for the theoretical IRES tax charge on the taxable amount transferred to the consolidating entity net of tax losses carried forward that predated the tax consolidation agreement and of ACE (*Aiuto per la Crescita Economica*) relief.

Deferred taxes in the financial period under review were Euro 2.085 million and was the balance of deferred tax assets (Euro 2.089 million) and deferred tax liabilities (Euro 0.004 million).

The change in the deferred tax assets was mainly due to the release of deferred taxes recognised in previous financial years in conjunction with with the tax losses used to offset the taxable income generated in the year under review by Fiera Milano SpA. This was, in part, offset by pre-paid taxes for provisions that are deductible in future financial periods.

A breakdown of pre-paid tax assets and deferred tax liabilities is given in the following table:

Deferred income taxes

(€'000)

| | 31/12/16 | Recognised in the Income Statement | Recognised in equity | 31/12/17 |
|---|---------------|--|-------------------------|---------------|
| Deferred tax assets | | | | |
| Excess amortisation, depreciation and write-downs | 249 | 338 | - | 587 |
| Provisions for risks and charges | 1,601 | (198) | - | 1,403 |
| Write-down of doubtful receivables | 1,356 | (334) | - | 1,022 |
| Tax losses carried forward | 9,057 | (2,944) | - | 6,113 |
| Costs for share capital increase | 166 | - | (55) | 111 |
| Other temporary differences | 389 | 1,049 | - | 1,438 |
| Total | 12,818 | (2,089) | (55) | 10,674 |
| Deferred tax liabilities | | | | |
| Goodwill and other amortisation | 9,774 | (4) | 1 | 9,771 |
| Other temporary differences | 3 | - | - | 3 |
| Total | 9,777 | (4) | 1 | 9,774 |
| Net deferred taxes | 3,041 | (2,085) | (56) | 900 |
| <i>of which: Tax assets for deferred taxes</i> | <i>12,818</i> | | | <i>10,674</i> |
| <i>Deferred tax liabilities</i> | <i>9,777</i> | | | <i>9,774</i> |

Reconciliation of theoretical and effective corporation tax charge (IRES)

(€'000)

| | |
|---|--------------|
| Profit/(loss) before income tax | 2,458 |
| Percentage applicable for corporation income tax (IRES) | 24.0% |
| Theoretical IRES tax charge (corporation income tax) | 590 |
| Difference between theoretical and effective tax charges: | |
| Non-deductible adjustments | 2,346 |
| Non-deductible operating expenses | 324 |
| Shares of dividends not subject to tax | (514) |
| ACE benefit | (217) |
| Effective IRES tax charge | 2,529 |

Reconciliation of theoretical and effective corporation tax charge (IRAP)

| | (€'000) |
|---|--------------|
| EBIT | 10,405 |
| Not- relevant expenses for IRAP purposes | 43,984 |
| Taxable base for purposes of IRAP | 54,389 |
| Statutory rate applicable for corporation income tax (IRAP) | 3.9% |
| Theoretical IRAP tax charge (corporation income tax) | 2,121 |
| Difference between theoretical and effective tax charges: | |
| Effect of tax wedge | (1,204) |
| Other | (124) |
| Effective IRAP tax charge | 793 |

The entry for income tax includes Euro 0.480 million (a negative figure of Euro 3.237 million at 31 December 2016) for related-party transactions. Note 42 provides further details on related-party transactions.

41) Result for the period

The Company had a net loss of Euro 0.864 million at 31 December 2017 compared to a net loss of Euro 25.160 million at 31 December 2016.

42) Related-party transactions

As part of its corporate governance, Fiera Milano SpA has adopted *Procedures for Related-party Transactions* as described in the *Report on corporate governance and ownership structure*, which forms part of the Board of Directors' Management Report in these Financial Statements.

Transactions carried out by Fiera Milano SpA with related parties are done at market conditions.

In the Statement of Financial Position, the Statement of Comprehensive Income and the Statement of Cash Flows, the amounts for related-party positions or transactions, if material, are shown separately. Given the total amount of statement of financial position and income statement items, Fiera Milano SpA has decided that Euro 2.000 million is the material threshold above which separate disclosure must be made in the Statement of Financial Position and Euro 1.000 million is that for separate disclosure in the Income Statement.

Detailed information on related-party transactions is given below and is divided between related-party transactions with the controlling shareholder Fondazione Fiera Milano and transactions with subsidiaries.

Related-party transactions with the controlling shareholder Fondazione Fiera Milano

Recurring related-party transactions are summarised below.

I. Real estate lease agreements

As described below, on 31 March 2014 new lease agreements were signed for the exhibition sites of Rho and Milan. These contracts were effective from the second semester of 2014.

On 18 January 2003, the Company signed a lease agreement with Fondazione Fiera Milano for the Rho exhibition site. The same agreement established the terms of the lease for the Milan City site, giving an effective date of 1 January 2006 in the contracts for both exhibition areas.

Initially cancellation of the contracts had to be notified eighteen months prior to the expiry of the contracts on 31 December 2014. On 31 March 2014, new rental agreements for the exhibition sites of Rho and Milan were signed. The new rental agreements are for nine years effective from 1 July 2014 (following the agreed early termination of the existing lease agreements due to expire on 31 December 2014) and are automatically renewable for a further nine years.

Under the rental agreement for the Rho exhibition site, compared to the previous agreement that was valid until 30 June 2014, the rent was reduced by Euro 2.000 million in the second semester of 2014 and by Euro 14.000 million for the full-year 2015 and for each subsequent year of the agreement. Therefore, the rent was Euro 24.400 million for the second semester of 2014 and Euro 38.800 million from 2015 and for each subsequent year of the agreement annually adjusted for 100% of the change in the ISTAT consumer price index.

In 2017, due to the temporary unavailability of parts of the exhibition site when they were used by Expo 2015, Fondazione Fiera Milano, once it had been paid by Expo 2015, gave Fiera Milano SpA a one-off rent reduction of Euro 0.532 million.

For the Milan City exhibition site, the parties agreed to maintain the existing rent of Euro 2.850 million per annum, annually adjusted for 100% of the change in the ISTAT consumer price index.

As the transaction was a transaction of greater importance under Article 5 of the Regulation on Related-party Transactions and of Article 10.2 of the Procedures for Related-party Transactions adopted by the Company, it was carried out under the Procedures for Related-party Transactions and, on 21 March 2014, an Information Document for a related-party transaction of greater importance ("Information Document OPC") was published.

To ensure that market conditions applied, the rental agreements were prepared by the parties also using valuations prepared for the Company by an independent expert.

II. Settlement of Group VAT

Taking advantage of the facility provided by Presidential Decree (DPR) 633/72, from 1 January 2002, Fiera Milano SpA chose to follow the procedures, managed by the controlling shareholder, Fondazione Fiera Milano, for settlement of Group VAT. This mechanism makes it easier to settle any tax obligations, without the Company incurring additional costs.

III. Group tax consolidation

In the 2016 financial year, Fiera Milano SpA and some of the Italian subsidiaries did not renew the option to participate in the tax consolidation of Fiera Milano SpA and opted instead to participate in the tax consolidation of Fondazione Fiera Milano acting as the consolidating entity. This option is binding for the 2016, 2017 and 2018 financial years.

The rule adopted under the tax consolidation of Fondazione Fiera Milano, provides that the tax losses of the consolidated companies, generated in each of the years that the option is valid, may be utilised to offset the taxes in the same financial year of the companies participating in the tax consolidation, after the tax losses of Fiera Milano SpA and the consolidating entity have been calculated; compensation for the tax losses of the companies consolidated are repaid for the amount of the effective benefit generated by the tax consolidation.

IV. Contract for supply of services

Fiera Milano SpA has an annual contract with Fondazione Fiera Milano for the reciprocal provision of services, which arise from or are necessary for the exercise of their respective activities. The contract is renewable annually unless cancelled by a written agreement between the parties.

The contract provides for the reciprocal supply of two kinds of services: *i)* services of a general nature, which fall within the range of activities of the entity providing them, supplied to the buyer on a continuous and systematic basis; *ii)* specific services, or services provided on request and relating to specific activities to be agreed from time to time between the buyer and the supplier, also on the basis of appropriate offers/estimates. The service supply contract is governed by market conditions.

V. Licence contracts for use of the Fiera Milano brand

On 17 December 2001, Fondazione Fiera Milano, as owner of the “Fiera Milano” brand granted Fiera Milano SpA an exclusive licence for the use of the said brand name in order to typify its own activities, also through its use on headed paper, on its commercial material, and to differentiate its headquarters and offices. The licence has been granted for Italy and all countries and locations where the brand name has been or will be registered or lodged.

The symbolic consideration paid by Fiera Milano SpA to Fondazione Fiera Milano was Euro 1.0. Fondazione Fiera Milano, having as its corporate objective the development of the exhibition sector, has maintained Fiera Milano as part of its name and did not include it in the business division “Exhibition Management Activity” contributed to the Parent Company in 2001, but with the expectation that Fiera Milano SpA would use the said brand name for an extended period of time and without incurring further costs for its use. This licence is valid until 31 December 2018.

VI. Current account between the Company and Fondazione Fiera Milano

On 24 June 2016, effective from 1 July 2016, a new contract for the current account was agreed. The contract expires on 31 December of each year and is automatically renewed unless one of the parties cancels by 30 September preceding the date of expiry.

Under the existing contract, by mutual consent the parties agreed to cancel the previous current account before replacing it with a new current account.

The parties use the account to settle receipts and payments under the contracts existing between them, in particular the rental payments for the exhibition sites and the services provided by each party to the other; initially the account was subject to interest of 1-month Euribor plus a spread of 1.75% that was changed to 1-month Euribor plus a spread of 1.50% effective from 1 July 2017.

Credits for invoices issued by the parties will accrue interest sixty days from the end of the month in which the invoice is issued although the interest may not be collected and will remain unavailable until the current account is closed, except for invoices that are overdue by more than 180 days which are always payable immediately.

Invoices for the rent of the exhibition sites are part of the agreement but carry interest and are payable under the specific terms of the rental contracts. The balance of any invoices that are overdue by at least 180 days, together with the balance of the invoices for the leasing contracts on the exhibition sites that are due under the terms of the relevant contracts, represent the collectable balance.

Credits that are not due for repayment are not included in the current account.

The party for which the overdue credit or debit balance exceeds Euro 5.000 million has the right to request payment of the balance, or to pay the balance. Where a request for payment has been made, the amount of the payment must be settled within 15 working days of the date of the said request.

The current account is closed and all interest paid every quarter.

Transactions with subsidiaries

Fiera Milano SpA carried out commercial transactions with subsidiaries under market conditions that were for the organisation and management of exhibitions and other events.

As part of the corporate reorganisation and to achieve more efficient management of the organisational processes and strengthen the centralisation and single management of strategic services, Fiera Milano SpA provides the following services to some of its subsidiaries:

- administration, financial, and tax services;
- planning and control;
- procurement;
- legal services;
- human resources management;
- Information Communication Technology.

Fiera Milano SpA also provides communication services to subsidiaries in order to ensure a uniform Group image.

Transactions with subsidiaries are done at market conditions.

Fiera Milano Media SpA, Nolostand SpA and Fiera Milano Congressi SpA have a licence agreement with Fiera Milano SpA to use the brand “Fiera Milano” as part of their own trademarks. These agreements last until 31 December 2019 with no automatic renewal of the agreement. The agreed amount payable by each licensee company is Euro 100.00.

I. Tax consolidation

In the 2007 financial year, Fiera Milano SpA, as the consolidating entity, and all the Italian subsidiaries, as consolidated companies, opted for the Italian tax consolidation method for payment of IRES tax. The tax consolidation was renewed every three years until the 2015 financial year. When this agreement was not renewed the tax consolidation agreement was cancelled. However, certain contractual obligations still exist from this agreement that are disclosed in the financial statements.

II. Nolostand SpA

On 14 May 2010, Fiera Milano SpA signed an agreement with its subsidiary Nolostand SpA for the exclusive supply of stand-fitting services to the clients of the Parent Company at exhibitions, events and other initiatives in the **fieramilano** and **fieramilanocity** exhibition sites. On 20 February 2015, a new agreement was signed under which the method of calculating the payment was modified. On 13 March 2017, an agreement was signed to extend the existing contract from 1 January 2017 until 31 December 2017. For 2017, the payment was calculated as 25% of the operating profit (direct revenues less direct costs) and was Euro 2.345 million.

On 13 April 2017, Fiera Milano SpA signed an agreement with its subsidiary Nolostand SpA for support activity for the annual maintenance of the Corporate Quality Management System of Fiera Milano SpA effective from 1 January 2017 until 31 December 2017 with no automatic renewal of the agreement. The payment made to Nolostand SpA for 2017 was Euro 0.121 million.

III. Fiera Milano Media SpA

Fiera Milano SpA has an agreement with Fiera Milano Media SpA whereby the latter has the exclusive rights to manage the advertising on the billboards owned by Fiera Milano SpA and also to promote and market its business to certain specific clients of the Parent Company. Fiera Milano Media SpA pays Fiera Milano SpA 35% of the revenues generated by these two activities. The remaining 65% remains with the subsidiary as payment for the services provided under the contract.

IV. Ipack-Ima SpA

On 20 April 2016, Fiera Milano SpA signed a cash pooling contract with Ipack-Ima SpA effective from 27 April 2016 that shows the daily balances regarding payments between the two companies. The interest rate is 1-month Euribor plus a spread of 1.75%.

Financial, capital and economic transactions with related-parties are shown in the following table.

Fiera Milano SpA

Related party entries in the Statement of Financial Position and Income Statement in the financial year to 31 December 2017

| (€'000) | Property, plant and equipment | Trade receivables and other non current | Trade receivables and other current | Inventories | Current financial assets | Pre-payments | Other current liabilities | Other current liabilities | Revenues from sales and services | Costs for materials | Costs of services | Cost of use of third-party assets | Personnel expenses | Other operating expenses | Other revenues | Financial income | Financial expenses | Tax |
|--|-------------------------------|---|-------------------------------------|--------------|--------------------------|---------------|---------------------------|---------------------------|----------------------------------|---------------------|-------------------|-----------------------------------|--------------------|--------------------------|----------------|------------------|--------------------|--------------|
| Controlling shareholder: | | | | | | | | | | | | | | | | | | |
| Fondazione Fiera Milano | | 11,598 | 5,273 | | 700 | | | 817 | 6 | | 992 | 41,846 | 15 | 220 | 582 | 12 | 157 | 480 |
| Subsidiaries: | | | | | | | | | | | | | | | | | | |
| Fiera Milano Congressi SpA | 31 | | 907 | | | | | 270 | 1,438 | | 1,156 | 250 | | | 931 | | | |
| Fiera Milano Media SpA | | | 421 | 70 | 3,212 | | | 2,174 | 528 | 120 | 2,831 | 3 | 304 | 149 | 1,162 | 48 | | |
| Ipack - Ima SpA | | | | | | | 2,676 | | | | | | | | | | | 47 |
| La Fabbrica del Libro SpA | | | 90 | | 752 | 58 | | 15 | 1,054 | | 14 | | | | 296 | 7 | | |
| Mico DMC Srl | | | 20 | 189 | | | | 254 | 2 | | 3,943 | 8 | | | 15 | | | |
| Nolostand SpA | 3 | | 3,045 | 9 | | | | 11,054 | 2,482 | | 29,371 | | 168 | | 1,367 | | | |
| Cipa Fiera Milano Publicações e Eventos Ltda | | | 5 | | | | | | 4 | | | | | | | | | |
| Eurofairs International Consultoria e Partipações Ltda | | | | | | | | 15 | | | 15 | | | | | 67 | | |
| Fiera Milano Exhibitions Africa Pty Ltd | | | | | | | | | | | 120 | 23 | | | | 12 | | |
| Limited Liability Company "Fiera Milano" | | | | | | | | | (12) | | | | | | | | | |
| Joint-ventures: | | | | | | | | | | | | | | | | | | |
| Ipack Ima srl | | | 50 | 2 | 2,109 | 1,756 | | 492 | 35 | | 188 | 2 | 111 | | 211 | 37 | | |
| Hannover Milano Fairs China Ltd | | | | | | | | | | | 53 | | | | | | | |
| Hannover Milano Fairs Shanghai Ltd | | | 3 | | | 3 | | | 360 | | | | | | | | | |
| Hannover Milano Global Germany GmbH | | | | | | | | | | | | | | | | 2,254 | | |
| Total related parties | 34 | 11,598 | 9,814 | 270 | 6,773 | 1,817 | 2,676 | 15,091 | 5,897 | 120 | 38,683 | 42,132 | 598 | 369 | 4,564 | 2,437 | 204 | 480 |
| Total reported | - | 11,680 | 31,616 | 2,233 | 6,773 | 38,880 | 2,676 | 33,918 | 219,542 | 871 | 120,382 | 43,511 | 35,692 | 4,991 | 5,698 | 2,681 | 852 | 3,322 |
| Related party entries/Total reported (%) | | 99% | 31% | 12% | 100% | 5% | 100% | 44% | 3% | 14% | 32% | 97% | 2% | 7% | 80% | 91% | 24% | 14% |

Information on the remuneration paid to the Administrative and Control Bodies, to the General Managers and to Executives with strategic responsibilities in the financial year to 31 December 2017 is given in the table included in the section below on other information.

Statement of related party cash flow

| | (€'000) | |
|--|-----------------|-----------------|
| | 2017 | 2016 |
| Cash flow from operating activities | | |
| Revenues and income | 10,461 | 8,499 |
| Costs and expenses | (81,902) | (77,402) |
| Financial income | 2,437 | 6,288 |
| Financial expenses | (204) | (138) |
| Income/expenses from tax consolidation | (480) | 3,237 |
| Change in inventories | 220 | (284) |
| Change in trade and other receivables | 739 | 570 |
| Change in pre-payments | 1,529 | 247 |
| Change in other current liabilities | (1,088) | (3,317) |
| Total | (68,288) | (62,300) |
| Cash flow from investing activities | | |
| Investments in non-current assets | | |
| Tangible and intangible | (34) | (113) |
| Total | (34) | (113) |
| Cash flow from financing activities | | |
| Change in current financial (assets)/liabilities | (2,326) | (12,960) |
| Total | (2,326) | (12,960) |
| Cash flow in the period | (70,648) | (75,373) |

The table below shows cash flow from related party transactions:

| | Cash flow from operating activities | Cash flow from investing activities | Cash flow from financing activities |
|----------------------------|--|--|--|
| FY to 31.12.17: | | | |
| Total | 37,269 | (1,422) | (40,140) |
| Related party transactions | (68,288) | (34) | (2,326) |
| FY to 31.12.16: | | | |
| Total | (23,443) | (909) | (6,636) |
| Related party transactions | (62,300) | (113) | (12,960) |

43) Other information

Judicial administration

On 28 September 2017, the Milan Court – Prevention Court Independent Section lifted the judicial administration order. This followed the lifting of a similar order on the subsidiary Nolostand SpA on 20 June 2017.

Together with the Court-Appointed Administrator, the Company implemented a series of initiatives to improve, rectify and establish new rules to ensure more effective and secure business management with new working methodologies and models. There was a significant focus on the procedures and controls for the Model under Legislative Decree 231/01 with the introduction of a new Supervisory Committee, new Group procedures and a new system governing the management of suppliers and procurement contracts.

The judicial administration order for the stand-fitting business division of the Company had been imposed on 11 October and was extended on 27 January 2017.

Material non-recurring events and transactions

In the financial year under review, there were no material non-recurring transactions or events under Consob Communication of 28 July 2006.

Transactions relating to atypical and/or unusual operations

In compliance with Consob Communication of 28 July 2006, it is stated that no unusual and/or atypical operations were carried out in 2017 as defined in the aforementioned Communication.

Significant events after the end of the reporting period

On 19 February 2018, the Company approved a Euro 0.800 million payment for a future capital increase to strengthen the capital of the Brazilian subsidiary, Eurofairs International Consultoria e Participações Ltda.

Information under Article 149-duodecies of the Consob Listing Rules

The fees paid for the services provided by the independent audit firm in the 2017 financial year are shown in the following table.

| | | (€'000) |
|---------------------|------------------|------------------|
| | Service provider | Fees for FY 2017 |
| Auditing | EY SpA | 189 |
| Other services (*) | EY SpA | 58 |
| Other services (**) | Network EY | 35 |
| Total | | 282 |

(*) Agreed upon procedures

(**) Other professional services related to environment, health and safety

Remuneration of the Administrative and Control Bodies, General Managers and Executives with strategic responsibilities

Executives with strategic responsibilities are those that have the power and responsibility, both direct and indirect, for the planning, management and control of the Company activities.

The Executives with strategic responsibilities are the Directors, the Statutory Auditors and the Chief Financial Officer.

The total remuneration for this category of Executives was Euro 2.130 million at 31 December 2017 (Euro 1.704 million at 31 December 2016) and the breakdown was as follows:

| | Remuneration (€'000) | | |
|---|----------------------|--------------------|--------------|
| | 2017 | | |
| | Directors | Statutory Auditors | Other |
| Short-term benefits | 801 | 95 | 489 |
| Post-employment benefits | 16 | - | 16 |
| Other non-current benefits | - | - | - |
| Staff-leaving indemnities | - | - | 713 |
| Notional income from stock option plans | - | - | - |
| Total | 817 | 95 | 1,218 |

| | Remuneration (€'000) | | |
|---|----------------------|--------------------|------------|
| | 2016 | | |
| | Directors | Statutory Auditors | Other |
| Short-term benefits | 896 | 110 | 644 |
| Post-employment benefits | 17 | - | 37 |
| Other non-current benefits | - | - | - |
| Staff-leaving indemnities | - | - | - |
| Notional income from stock option plans | - | - | - |
| Total | 913 | 110 | 681 |

At 31 December 2017, the outstanding amount payable to this category was Euro 0.213 million (Euro 0.150 million at 31 December 2016).

Rho (Milan), 12 March 2018

On behalf of the Board of Directors
The Chairperson
Lorenzo Caprio

Attachment 1

List of investments in subsidiaries and joint ventures for the financial year ended 31 December 2017

(art. 2427, paragraph 1, no.5 of the Italian Civil Code)

(€'000)

| Company name | Registered Office | Share capital | Equity | | Net profit/(loss) | | % held | Carrying value |
|--|-------------------|---------------|--------|-------------|-------------------|-----------|-----------------------|----------------|
| | | | Total | Pro-quota | Total | Pro-quota | | |
| Subsidiaries: | | | | | | | | |
| Fiera Milano Congressi SpA | Milan | 2,000 | 5,830 | 5,830 | 382 | 382 | 100.00% | 12,200 |
| Fiera Milano Media SpA | Milan | 2,803 | 2,401 | 2,401 | (103) | (103) | 100.00% | 7,618 |
| La Fabbrica del Libro SpA * | Milan | 120 | 597 | 304 | (1,784) | (910) | 51.00% | 1,447 |
| Nolostand SpA | Milan | 7,500 | 5,323 | 5,323 | (2,683) | (2,683) | 100.00% | 13,390 |
| lpack-lma SpA | Milan | 200 | 5,128 | 5,128 | (17) | (17) | 100.00% | 6,825 |
| Cipa Fiera Milano Publicações e Eventos Ltda | San Paolo Brazil | 4,576 | 1,487 | 15 | (2,434) | (24) | 1.00% | 2 |
| Eurofairs International Consultoria e Participações Ltda | San Paolo Brazil | 14,841 | 11,179 | 11,178 1 | (456) | (456) | 99.99% +0,01% ind. | - |
| Fiera Milano Exhibitions Africa Pty Ltd | Cape Town | - | 680 | 680 | (1,113) | (1,113) | 100.00% | 415 |
| Fiera Milano India Pvt Ltd | New Delhi | 261 | 69 | 69 | (117) | (117) | 99.99% | 64 |
| Limited Liability Company "Fiera Milano" | Mosca | 144 | 55 | 55 | (128) | (128) | 100.00% | - |
| Total | | | | | | | | 41,961 |
| Joint Venture: | | | | | | | | |
| Hannover Milano Global Germany GmbH | Hannover Germany | 25 | 22,317 | 10,935 | 8,408 | 4,120 | 49.00% | 10,990 |
| Total | | | | | | | | 10,990 |

* The result is for the period 5 September 2016 to 31 December 2017, which was the end of the first reporting period.

For subsidiary companies the indirect percentage held in the share capital has also been shown.

Attachment 2

Summary of key figures of the last financial statements of subsidiaries and associates included in the area of consolidation (Art. 2429, paragraph 4 of Italian Civil Code). Italian GAAPs:

(amounts in € '000)

| | 31/12/17 | 31/12/16 |
|------------------------------------|----------|----------|
| Fiera Milano Congressi SpA | | |
| Revenues from sales and services | 28,346 | 28,458 |
| Profit/(loss) | 382 | 832 |
| Equity | 5,830 | 5,448 |
| Net financial debt/(cash) | (3,018) | (4,515) |
| Fiera Milano Media SpA | | |
| | 31/12/17 | 31/12/16 |
| Revenues from sales and services | 10,988 | 11,093 |
| Profit/(loss) | (103) | (776) |
| Equity | 2,401 | 1,804 |
| Net financial debt/(cash) | 1,541 | 2,668 |
| Ipack-Ima SpA | | |
| | 31/12/17 | 31/12/16 |
| Revenues from sales and services | - | - |
| Profit/(loss) | (17) | 2,196 |
| Equity | 5,128 | 5,145 |
| Net financial debt/(cash) | (2,689) | (2,730) |
| La fabbrica del Libro SpA * | | |
| | 31/12/17 | 31/12/16 |
| Revenues from sales and services | 1,409 | - |
| Profit/(loss) | (1,784) | - |
| Equity | 597 | - |
| Net financial debt/(cash) | (233) | - |
| Nolostand SpA | | |
| | 31/12/17 | 31/12/16 |
| Revenues from sales and services | 33,012 | 38,328 |
| Profit/(loss) | (2,683) | 339 |
| Equity | 5,323 | 8,006 |
| Net financial debt/(cash) | (1,633) | (2,057) |

* The figures are for the period 5 September 2016 to 31 December 2017, which was the end of the first reporting period.

Attachment 2

Summary of key figures of the last financial statements of subsidiaries and associates included in the area of consolidation (Art. 2429, paragraph 4 of Italian Civil Code). IAS/IFRS:

| Cipa Fiera Milano Publicações e Eventos Ltda | 31/12/17 | 31/12/16 |
|---|-----------------|-----------------|
| (amounts in Brazilian reais '000) | | |
| Revenues from sales and services | 14,319 | 21,864 |
| Profit/(loss) | (8,772) | (8,008) |
| Equity | 5,906 | 3,502 |
| Net financial debt/(cash) | 1,834 | 9,036 |
| Eurofairs International Consultoria e Participações Ltda | 31/12/17 | 31/12/16 |
| (amounts in Brazilian reais '000) | | |
| Revenues from sales and services | - | - |
| Profit/(loss) | (1,645) | 2,127 |
| Equity | 44,412 | 34,127 |
| Net financial debt/(cash) | 2,302 | 1,834 |
| Fiera Milano Exhibitions Africa Pty Ltd | 31/12/17 | 31/12/16 |
| (amounts in South African rand '000) | | |
| Revenues from sales and services | 16,893 | 18,401 |
| Profit/(loss) | (16,745) | (54,407) |
| Equity | 10,063 | (6,137) |
| Net financial debt/(cash) | (12,574) | 11,005 |
| Fiera Milano India Pvt Ltd | 31/12/17 | 31/12/16 |
| (amounts in rupees '000) | | |
| Revenues from sales and services | - | - |
| Profit/(loss) | (8,611) | (1,062) |
| Equity | 5,324 | 13,935 |
| Net financial debt/(cash) | (4,905) | (5,871) |
| Limited Liability Company "Fiera Milano" | 31/12/17 | 31/12/16 |
| (amounts in rubles '000) | | |
| Revenues from sales and services | - | 2,158 |
| Profit/(loss) | (8,465) | 37,905 |
| Equity | 3,803 | 12,268 |
| Net financial debt/(cash) | (3,085) | (3,599) |

Attachment 2

Summary of key figures of the last financial statements of joint ventures included in the area of consolidation (Art. 2429, paragraph 4 of Italian Civil Code). Italian GAAPs:

(amounts in € '000)

| Ipack Ima Srl | 31/12/17 | 31/12/16 |
|----------------------------------|-----------------|-----------------|
| Revenues from sales and services | - | - |
| Profit/(loss) | (1,418) | (2,184) |
| Equity | 1,310 | 2,728 |
| Net financial debt/(cash) | (185) | 2,326 |

Summary of key figures of the last financial statements of joint ventures included in the area of consolidation (Art. 2429, paragraph 4 of Italian Civil Code). IAS/IFRS

(amounts in € '000)

| Hannover Milano Global Germany GmbH | 31/12/17 | 31/12/16 |
|--|-----------------|-----------------|
| Revenues from sales and services | 43,236 | 33,413 |
| Profit/(loss) | 8,408 | 5,508 |
| Equity | 22,317 | 19,991 |
| Net financial debt/(cash) | (24,438) | (19,853) |

Declaration relating to the Financial Statements in accordance with Article 154-bis, paragraph 5 of Legislative Decree of 24 February 1998, no. 58

1. The undersigned, Fabrizio Curci, as Chief Executive Officer, and Sebastiano Carbone, as Manager responsible for preparing the Financial Statements of Fiera Milano SpA, having noted the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree of 24 February 1998, no. 58, attest to:
 - the appropriateness in relation to the characteristics of the business and
 - the effective application of the administrative and accounting procedures for the preparation of the Financial Statements for the year to 31 December 2017.
2. In 2017, due to the administration orders imposed on the subsidiary Nolostand SpA and on the stand-fitting business division of the Company, which were lifted on 20 June 2017 and 28 September 2017 respectively, the actions of the Company have also focused on upgrading some corporate procedures, including those for procurement and the purchasing cycle. The evaluation process of the adequacy of the administrative and accounting procedures for the preparation of the Financial Statements at 31 December 2017 took account of these circumstances in identifying the periodic monitoring activities.
3. It is also declared that:
 - 3.1 the Financial Statements at 31 December 2017:
 - have been prepared in accordance with the applicable international accounting standards recognised by the European Union in accordance with EC Regulation no. 1606/2002 of the European Parliament and of the European Council of 19 July 2002;
 - correspond to the results contained in the accounting records and documents;
 - provide a true and correct representation of the capital, economic and financial situation of the Issuer.
 - 3.2 the report on operations includes a reliable analysis of the trend and results of operations and the situation of the Issuer, together with a description of the main risks and uncertainties to which it is exposed.

12 March 2018

Signed by

The Chief Executive Officer
Fabrizio Curci

Signed by

**The Manager responsible for preparing
the Company's Financial Statements**
Sebastiano Carbone

Report of the *Board of Statutory Auditors* to the *Shareholders' Meeting* pursuant to Article 153 of Legislative Decree no. 58/98 and Article 2429 of the *Italian Civil Code*

Dear Shareholders,

Under Article 153 of Legislative Decree of 24 February 1998 no. 58 (the "*Consolidated Finance Act*"), the *Board of Statutory Auditors* is required to report to the *Shareholders' Meeting* convened to approve the Financial Statements on its supervisory duties and any reprehensible acts or omissions noted. It also has the authority to make proposals to the Meeting regarding the Financial Statements, their approval, and any other items that fall within its remit.

The *Board of Statutory Auditors* in office at the date of the present Report was appointed by the *Shareholders' Meeting* of 29 April 2015 and its mandate will expire at the *Shareholders' Meeting* of 23 April 2018 convened to approve the Financial Statements at 31 December 2017. The appointment of the *Board of Statutory Auditors* was made in compliance with all applicable legal and statutory provisions and regulations and the composition of the *Board of Statutory Auditors* respects the requirements of gender balance under Article 148 of Legislative Decree 58/98 (the *Consolidated Finance Act*).

The appointment of the *Statutory Auditors* was made on the basis of the proposal put forward by the *majority shareholder* under applicable legal and statutory provisions and regulations.

In the 2017 financial year, the *Board of Statutory Auditors* ascertained, through declarations received from the *Statutory Auditors* themselves and from available information, that there were no reasons for their appointments to be forfeit, or to consider the *Statutory Auditors* ineligible or unfit under Articles 2382 and 2399 of the *Italian Civil Code* and of Article 148 of the *Consolidated Finance Act*, and that they had the independence required by law under the *Rules of Conduct for the Boards of Statutory Auditors* drawn up by the *Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili* [the Association of Chartered Accountants] and the *Self-regulatory Code for Listed Companies* regarding independent *Directors*, giving greater weight to substance (a guarantee of independent judgement) over form as recommended by the *Self-regulatory Code*.

The *Board of Statutory Auditors* presented a full report on its supervisory activity that was communicated to the *Board of Directors*, which acknowledged receipt of the document at its meeting on 23 October 2017.

The document provided by the *Board of Statutory Auditors* included the results of its self-appraisal procedure under Article 144-*novies*, paragraph 1-*ter* of *Consob Regulation no. 11971*.

No events have occurred that would result in any *Statutory Auditor* losing his/her required independence since the last appraisal was made.

During the financial year under review, the *Statutory Auditors* carefully assessed their responsibilities and the time required to execute diligently these responsibilities; it also checked that the limit on the total number of positions that can be held in other companies established in law (Article

148-bis of the *Consolidated Finance Act* and other enacted laws, Articles 144-*duodecies* to 144-*quinquiesdecies* of the *Listing Rules*) had not been exceeded, and completed the disclosure requirements of *Consob* and those under Article 148 of the *Consolidated Finance Act* and under Article 144-*terdecies* of the *Listing Rules*.

The *Board of Statutory Auditors* states that no *Statutory Auditor* has had a personal interest or an interest on behalf of a third-party in any transaction done in the financial year under review.

Administration order under Article 34 of Legislative Decree no. 159/2011

In its report for the Financial Statements at 31 December 2016, the Board of Statutory Auditors commented, as far as was its responsibility, on the *administration order* imposed by the *Anti-mafia Division of the Milan Court* on the subsidiary *Nolostand S.p.A.* on 6 July 2016 and that imposed on *Fiera Milano S.p.A.* on 11 October 2016; both were for a period of six months. The *Anti-mafia Division of the Milan Court* extended the *administration order for Nolostand S.p.A.*, due to expire on 5 January 2017, for a further six months. Subsequently, on 27 January 2017, following the hearing held on 26 January 2017, the Milan Court rejected the request of the *Public Prosecutor* to change the prevention measures under the administration order “to full control of the corporate bodies” and ruled that the administrative and management functions of the *Company* should remain in the hands of the *Board of Directors*.

The *Anti-mafia Division of the Milan Court* gave:

- the *Court-appointed Administrator* further powers over the following *Company* activities: i) approval of operating procedures to safeguard the legality of administrative actions already requested of third-party consultants; ii) approval, in particular as far as concerned the means and timing of contract renewals, of the operating procedures for the procurement of goods and services already requested of third-party consultants; iii) monitoring of the efficacy and timeliness of the measures implemented by the *Company* to increase the legal safeguards for administrative actions during the period of the *administration order*; iv) quantitative and qualitative upgrading of the *internal audit* structure; v) revision of the *audit* plan and supervision of related activities; vi) revision of the corporate structure for *Procurement and Compliance*; vii) appointment and removal of the Head of the Compliance Department, deciding the responsibilities of this role also for reputational checks on suppliers of goods and services and on the procedures governing whistleblowing.
- It also stated that the *Court-appointed Administrator* “will act with the necessary collaboration of the administrative bodies of the *Company*” and that “the administration and management of the *Company* remain the domain of the *Board of Directors of Fiera Milano S.p.A.*”.

On 28 March 2017, the *Anti-mafia Division of the Milan Court* extended for a further six months the administration order imposed on the stand-fitting business division of the *Company* that was due to expire on 11 April 2017.

On 20 June 2017, the *Anti-mafia Division of the Milan Court* revoked the *administration order* imposed on the subsidiary *Nolostand S.p.A.*

On 28 September 2017, the *Anti-mafia Division of the Milan Court* revoked the administration order imposed on the stand-fitting business division of *Fiera Milano S.p.A.* acknowledging the “preventive measures implemented in collaboration with the company during the administration order” with:

- changes to management and the internal organisation. The appointment of new *Executives* for *Nolostand S.p.A.* and for the *Procurement Department*. The new *Head of the Special Projects Department* that includes the *Human Resources and Organisation Department* focused on reorganising the *Procurement Department* and on strengthening the *Compliance and Internal Control Departments*. As part of the reorganisation of the *Procurement Department*, the *Company* undertook an advance analysis and evaluation of all suppliers, carrying out *Integrity Due Diligence* on a large sample of suppliers; it also created a *Register of Suppliers* and in July 2017 set up the *Security and Anti-fraud Department*;

- revisions to the Model under Legislative Decree 231/2001. To update the Model under Legislative Decree 231/2001 for the new organisational and corporate governance structure, the *Company* carried out a risk assessment analyses of the Procurement system, payment procedures, Health & Safety, the Environment and on the Information systems It also appointed a new Supervisory Committee;
- revisions to the *procurement system*, *payment procedures*, and *Procedure for Whistleblowing* through the issue and adoption by the *Company* and the *Group companies* of a new set of procedures that included those for *Procurement of Goods and Services*, *Consultancy Services*, *Purchasing*, *Accreditation and Access Control*, *Stand-fitting Sales*, *Supplier Qualification*, *Reputational Assessment*, *Management of Supplier Recommendations from Clients*, *Catering*, *Commercial intermediaries*, and *Management of Whistleblowing*;
- delegated activities as a consequence of the additional obligations under the expanded administration order. Tests carried out by a consultant to check and verify that the procedures issued were implemented gave positive results. A new *Head of Internal Audit* was appointed and the *Department* was strengthened with five additional employees for *Finance*, *Compliance* and *Operations*. An *Internal Audit Manual* was also prepared.
- In other *Departments*, a new *Head of Procurement* was appointed; job rotation rules for buyers were introduced; two new areas were set up in the *Compliance Department - Security* and *Anti-fraud* - and a new *Head of Security* was appointed with a support structure of three persons (covering *Security*, *IT Security*, *Staff Security*); in September 2017 a new *Head of Compliance* was appointed to strengthen the *Legal and Compliance Department*;
- the introduction of preventative measures through an Internal authorisation process for those involved in the *Procurement of goods and services* with a value exceeding Euro 30,000;
- a new corporate organisational model that includes the new position of *Chief Financial Officer* with the relevant support structures.

When revoking the *administration order* the *Anti-mafia Division of the Milan Court* stated that the documentation provided by the *Court-appointed Administrator* revealed that “it was abundantly clear that *Fiera Milano S.p.A.* had carried out a significant and well-structured review of the legal compliance of its internal procedures and had taken the opportunity to review its entire internal organisational structure with a view to an entrepreneurial approach to competition that remains focused on respecting legal safeguards...”.

Consob - Requests for information under Article 115, paragraph 1 of Legislative Decree no. 58/98 (the “Consolidated Finance Act”)

The presence of the *Board of Statutory Auditors* was requested at a *hearing* in *Consob* on 14 March 2017 as part of the activity required by the *Regulatory Authority* under *Article 115, paragraph 1*, of *Legislative Decree no. 58/98 (the Consolidated Finance Act)*, at which the *Board of Statutory Auditors* presented a report.

On 29 March 2017, the *Board of Statutory Auditors*, as part of the reporting procedure for the regulatory activity of *Consob*, presented a report on its own activities that was accompanied by one prepared by the *Control and Risk Management Committee* on the *impairment tests* carried out for the *Financial Statements* at 31 December 2016.

On 4 October 2017, the *Board of Statutory Auditors*, to complete the information given to *Consob*, sent the latter the document on the self-appraisal carried out under *Article 144-novies, paragraph 1-ter* of *Consob Regulation no. 11971*.

The *Board of Statutory Auditors* declares that, on 29 April 2017, in compliance with *Consob Communication no. 6031329 of 7 April 2006*, it provided *Consob* with the “*Form summarising the supervisory activity*” for the 2016 financial year prepared in accordance with the requirements of *Consob* itself.

Resignation of the *Board of Directors* and appointment of the current *Board of Directors*

The *Shareholders' Meeting* of the *Company*, held on 21 April 2017, was asked to approve the appointment of a *Board of Directors* composed of eight members with a right to increase the number of Board members at a subsequent *Meeting*.

The *Shareholders' Meeting* was asked to approve the appointment of a *Board of Directors* following the resignation of the majority of the members of the *Board* on 13 January 2017 and the consequent dissolution of the entire *Board* from the date of the *Shareholders' Meeting* convened to approve the Financial Statements at 31 December 2016.

Following the resolution of the *Shareholders' Meeting*, the *Board of Directors* gave a temporary mandate to the *Director Ms Marina Natale* for the ordinary management of the *Company*.

On 25 July 2017, the *Shareholders' Meeting* approved a resolution to increase the number of members of the *Board of Directors* to nine and appointed *Mr Fabrizio Curci* to the *Board* effective from 1 September 2017 and until the mandate of the other *Directors* expires.

On the same date, the *Board of Directors* appointed *Mr Fabrizio Curci* as *Chief Executive Officer* and *General Manager* of the *Company* effective from 1 September 2017.

Supervisory activity: legal, regulatory and ethical

The supervisory duties of the *Board of Statutory Auditors* were carried out in accordance with legal requirements and, in particular, those of Article 149 of the *Consolidated Finance Act*; with the recommendations of *Consob* on corporate controls and the role of the *Board of Statutory Auditors* (in particular, *Consob Communication of 20 February 1997 no. DAC/RM 97001574*); with the provisions of the *Self-regulatory Code* and those of the 2015 edition of the *Rules of Conduct of the Board of Statutory Auditors of Listed Companies* issued by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*.

In preparing the present Report, the *Board of Statutory Auditors* took account of *Consob Resolutions no. 1025564 of 6 April 2001, no. 3021582 of 4 April 2003 and no. 6031329 of 7 April 2006*, which govern the contents of the Reports of *Boards of Statutory Auditors to Shareholders' Meetings* of listed companies.

Attendance at meetings of the corporate bodies

In the financial period under review, the *Board of Statutory Auditors* held seventeen meetings and took part in two *Shareholders' Meetings* and 25 meetings of the *Board of Directors*.

At the meetings of the *Board of Directors*, the *Board of Statutory Auditors* was represented by the *Chairperson* of the *Board of Statutory Auditors* and/or the majority of its members.

Since the end of the 2017 reporting period and until the date of the present Report, the *Board of Statutory Auditors* has held three meetings.

During the 2017 financial year, the *Control and Risk Management Committee* met fourteen times and the *Remuneration Committee* met eight times.

The *Board of Statutory Auditors* took part in all the meetings of the *Control and Risk Management Committee* through the presence of its *Chairperson* and/or through that of another *Standing Statutory Auditor* and also in all the meetings of the *Remuneration Committee* through the presence of its *Chairperson*.

Monitoring of compliance with legal and statutory requirements and regulations and adherence to the principles of correct management

Through its presence at meetings of the *Board of Directors*, the Board of *Statutory Auditors* has monitored compliance with legal and statutory requirements and regulations that govern the functioning of the *Company* bodies and the adherence to the principles of correct management.

The frequency of the *Board of Directors*' meetings and the average attendance rate of the Directors and the duration of the meetings were sufficient and no significant decisions were taken without appropriate information being provided to the *Directors* and the Board of *Statutory Auditors*, also given the specific matters discussed and the exhaustive nature of the discussions.

The Board of *Statutory Auditors* verified that all the decisions taken were in the interests of the *Company* and were supported by appropriate documentation and, if necessary, expert opinions on the economic and financial suitability of the transactions.

Executives responsible for the various corporate departments and external consultants attended meetings of the *Board of Directors*, as required, to report on specific matters.

The Board of *Statutory Auditors* declares that, to the best of its knowledge, the *Board of Directors* received adequate information from the *Chief Executive Officer* and the Control and *Risk Management Committee* and monitored the general management of the *Company*, periodically comparing the results achieved with those in the business plan, studied and approved transactions of a material size, was aware of the risks and consequences of any transaction undertaken, and also examined matters that the Board of *Statutory Auditors* raised with the *Board of Directors*.

The Ordinary and Extraordinary Shareholders' Meetings of 21 April 2017, convened by the *Board of Directors*, adopted the resolution to amend Articles 13, 14, 15, 16, 17, 18 and 20 of the *Company Articles of Association* that *Fondazione Fiera Milano*, as the majority shareholder of *Fiera Milano S.p.A.* had proposed to the *Board of Directors* in a communication dated 30 January 2017.

The current *Company Articles of Association* represent a corporate governance model that is in line with sector best practice and that meets the requirements of the *Self-regulatory Code for Listed Companies* of *Borsa Italiana S.p.A.*, and reinforces the organisational safeguards and internal controls of *Fiera Milano*.

The amendments made to the current *Company Articles of Association* mainly focussed on the *modus operandi* of the *Board of Directors*, the requirements of the *Independent Board Directors*, the obligation to set up an *Appointments and Remuneration Committee*, the limit to the total number of positions that can be held, the requirements of independence and the duties and responsibilities of the members of the *Board of Statutory Auditors*.

At its meeting on 10 July 2017, the *Board of Directors* approved rules for the *modus operandi* of the *Board* that included, *inter alia*, the criteria for carrying out the periodic self-appraisal of its members and to verify the total number of positions held by each *Director*.

Information on the activities of the *Company* and subsidiaries

The *Board of Statutory Auditors* received from the *Directors*, sometimes as a result of specific requests, information at least quarterly on the overall activities of the *Company*, the various sectors in which it operates, also through subsidiaries and associates, and on any material economic, financial or capital transactions. On the basis of the information flows acquired in the course of its monitoring activities, the *Board of Statutory Auditors* was able to ascertain that the actions discussed and implemented adhered to the law and to the *Company Articles of Association* and were neither manifestly imprudent or risky, created conflicts of interest or differed from the resolutions of the corporate bodies or would compromise the integrity of the corporate assets.

At the various *Board* meetings, the *Chairperson* of the *Board of Directors* and the *Chief Executive Officers* then in office provided information on decisions taken that by their nature and their impact had to be put to the judgement and authority of the Court-appointed Administrator as they fell within the areas of activity identified by the *Milan Court*.

The *Board of Statutory Auditors* obtained appropriate knowledge and monitored, to the extent of their remit, that principles of correct management were followed; this was also done through information obtained directly from the various *Company departments* and from the independent *Audit Firm*, and by requesting, where necessary, that specific actions be taken.

On the basis of the information acquired, it emerged that the most significant economic, financial, and capital transactions of the *Company*, also through entities in which it has direct or indirect investments, were the following:

- *Worldex Fiera Milano Exhibition Co. Ltd.*

During the financial period under review, the transaction to sell the entire shareholding in *Singex Exhibition Pte Ltd* was completed. The transaction price comprised a fixed component (Euro 2.750 million) and a variable component (Euro 1.000 million) that is payable on the attainment of specific financial results agreed with the purchaser for the years 2017-2019.

- *Fiera Milano Media S.p.A.*

The Financial Statements at 31 December 2016 of the subsidiary showed a loss which necessitated the actions under Article 2446 of the *Italian Civil Code* and the financial reviews gave no indication of results that would have allowed it to meet the conditions under the aforementioned Article of the *Italian Civil Code*.

Therefore, at its meeting on 15 December 2017, the *Board of Directors* of *Fiera Milano S.p.A.* took the decision to make a payment to the *subsidiary* of Euro 0.700 million for a future share capital increase; this was implemented and meant that the conditions under Article 2446 of the *Italian Civil Code* were met.

- *La Fabbrica del Libro S.p.A.*

The *Board of Directors* of *Fiera Milano S.p.A.* approved the payment of Euro 1.922 million for a share capital contribution and a loan of Euro 0.752 million to *La Fabbrica del Libro S.p.A.*, for the justified, economic, financial and capital reasons put forward by the *Board of Directors* of the *subsidiary*.

The *Company* has a shareholding of 51% in *La Fabbrica del Libro S.p.A.* and the remaining 49% is held by *Ediser S.r.l.* (a services company of *AIE, Associazione Italiana Editori*), which made a payment of Euro 0.339 million for a share capital increase as part of the governance agreement whereby the losses for the 2018 and 2019 financial years are borne by the two shareholding entities.

- *MiCO DMC S.r.l.*

The subsidiary *Fiera Milano Congressi S.p.A.* holds 51% of the share capital of *MiCO DMC S.r.l.* In November 2017, *MiCO DMC S.r.l.* repaid the entire Euro 1.000 million loan that it had been given in the preceding financial period by *Fiera Milano Congressi S.p.A.*

- *Eurofairs International Consultoria e Participacoes Ltda.*

The subsidiary approved a share capital increase totalling Euro 3.128 million; *Fiera Milano S.p.A.* subscribed to its rights and paid Euro 1.500 million and designated a previous payment of Euro 1.628 million as payment of the remaining amount.

Adequate information to permit informed decisions on all the aforementioned transactions was given in the meetings of the *Board of Directors* and the transactions have been comprehensively described in the Notes to the Financial Statements and in the *Directors' Management Report on Operations* for 2017.

The *Board of Statutory Auditors* has, from time to time, expressed its own opinions on the activities of the *Company* and of its subsidiaries, in particular, regarding structural operations having capital and financial implications. These observations have been acknowledged by the *Board of Directors* and/or, where necessary, by the relevant *delegated corporate bodies*.

Relations with the majority shareholder *Fondazione Fiera Milano*

Given its management and decisional autonomy, *Fiera Milano S.p.A.* is not subject to direction and coordination under Articles 2497 and following of the *Italian Civil Code* by its controlling entity *Fondazione Ente autonomo Fiera Internazionale di Milano* (which holds 63.821% of the share capital).

Since June 2016 and effective from 1 July 2016, *Fondazione Fiera Milano* and *Fiera Milano S.p.A.* have had an agreement for cash management through a “Correspondent current account”.

Fondazione Fiera Milano and *Fiera Milano S.p.A.* settle receipts and payments under the contracts existing between them, in particular, the rental payments for the exhibition sites and for the services provided by each party to the other; the account carries interest of 1-month Euribor plus a spread that is currently 1.50% but may be reviewed periodically by the parties.

In 2016, *Fiera Milano S.p.A.* and some of the Italian subsidiaries opted to participate in the tax consolidation of *Fondazione Fiera Milano*. This option is binding for the 2016, 2017 and 2018 financial years.

For 2017, the *Company* and some its Italian subsidiaries decided to adhere to the Group VAT procedure of *Fondazione Fiera Milano*.

The *Company* and its subsidiary *Fiera Milano Congressi S.p.A.* are parties to rental agreements for the Milan and Rho exhibition sites that were signed in financial periods prior to that under review.

Also, in previous financial periods, in return for a symbolic payment, *Fondazione Fiera Milano* gave the *Company* a licence to use the brand “*Fiera Milano*”.

Fondazione Fiera Milano and the *Company* have agreements for reciprocal services that are supplied on a continuous basis and for other specific services that are provided on request.

Monitoring of relations with subsidiaries and related-party transactions

The *Company* has a procedure governing Related-party Transactions that was prepared in compliance with the requirements of the Regulation approved by *Consob* Resolution no. 17221 of 12 March 2010, subsequently amended by *Consob* with deliberation no. 17389 of 23 June 2010 (hereinafter also the “Regulation”), and with the recommendations of the Regulation for related-party transactions provided by *Consob* in *Communication no. DEM/10078683* of 24 September 2010.

The Procedure for Related-party Transactions was revised by the *Board of Directors* on 19 February 2018 so that it met the requirements of the new *Company* management structure.

The instructions given to subsidiaries were adequate to ensure the timely fulfilment by the latter of the market disclosure requirements under the law and Article 114 of the *Consolidated Finance Act*.

Related-party transactions were almost exclusively transactions done as part of the ordinary management of the *Company* and were governed by market conditions and are described in the *Board of Directors' Management Report* and the *Notes to the Financial Statements*.

The *Control and Risk Committee* ascertained that procedures were followed: to guarantee that related-parties were identified and that transactions carried out among them were transparent and respected essential integrity and procedural correctness; to evaluate the adequacy of the limits for procedures for *related-party* transactions and of the *Organisational Instructions*

for *Implementing the Procedure*; and to ensure that these transactions were in the corporate interest. It also monitored the adequacy of the information disclosed by the *Directors* in the *Board of Directors' Management Report* and in the *Notes to the Financial Statements*.

As regards intergroup transactions, in the *Notes to the Financial Statements* and in the *Board of Directors' Management Report*, the *Directors* have disclosed the existence of commercial and financial relations among *Group* companies and has explained that these transactions were part of the ordinary management of the *Company* and were governed by market conditions.

The *Control and Risk Management Committee*, the *Supervisory Committee* and the *Internal Control* department exercised appropriate control over any direction and coordination activity by the *Company* as required by Article 2497 and following of the *Italian Civil Code*.

In particular, the *Board of Statutory Auditors* examined and approved the document giving the key financial conditions of intergroup service contracts in the 2017 financial year and believe that the degree of analysis to identify the criteria for attributing the costs to the single companies of the Fiera Milano Group on the basis of the services used was appropriate.

Opinions expressed by the Board of Statutory Auditors

The *Board of Statutory Auditors* agreed with the proposals of the *Remuneration Committee* and expressed a favourable opinion under Article 2389 of the *Italian Civil Code* on the remuneration of the acting *Chief Executive Officer Ms Marina Natale* and of *Mr Fabrizio Curci* and on the decision to pay an additional amount to the *Chairperson* of the *Board of Directors*, *Prof. Lorenzo Caprio*.

The *Board of Statutory Auditors* also expressed a favourable opinion on the payment made by *Fiera Milano S.p.A.* to *Mr Corrado Peraboni*, the previous *Chief Executive Officer*, in full and final settlement of the termination of his employment and of his mandate as a *Director*.

The *Report on Remuneration* contains the information required by Article 123-ter of Legislative Decree 58/98.

In compliance with Article 123-ter of the *Consolidated Finance Act*, the *Report on Remuneration*, the format of which has been studied and approved by the *Board of Statutory Auditors* in a joint meeting with the *Control and Risk Management Committee*, is presented to the *Shareholders' Meeting*.

Transactions involving treasury shares

At today's date, *Fiera Milano S.p.A.* holds 920,768 treasury shares, equal to 1.28% of the *Company* share capital.

The *Shareholders' Meeting* of *Fiera Milano S.p.A.*, held on 28 April 2016, approved the *2017-2023 Stock Option Plan* using up to a maximum of one million shares.

The *Shareholders' Meeting* of *Fiera Milano S.p.A.*, held on 21 April 2017 approved a mandate for a buyback of shares for a maximum of 20% of the share capital with restrictions on any transaction price; this mandate was valid for eighteen months (see page. 78 of the *Directors' Report on Operations* at 31 December 2017). The *Company* did not use the mandate.

At its meeting on 12 March 2018, following the reorganisation of the corporate governance of the *Company* and as part of its remuneration policy, the *Board of Directors* of *Fiera Milano S.p.A.* decided to propose a resolution to the next *Shareholders' Meeting*, under Article 114-bis of the *Consolidated Finance Act*, that it approve a new medium/long-term incentive scheme (the "Performance Shares Plan 2018-2019") comprising both cash and performance shares as described in the *Report on Remuneration*.

The *Shareholders' Meeting* convened by the *Board of Directors* on 23 April 2018 will be asked to approve a new buyback of shares under Articles 2357 and following of the *Italian Civil Code*, following prior cancellation of the existing authority.

The buyback is for the ordinary shares of the *Company* that have no nominal value and will be carried out in accordance with Article 2357, paragraph 3 of the *Italian Civil Code* and the mandate will be requested for a period of eighteen months from the date it is approved by the Shareholders.

Internal Dealing Procedure and Procedure for the Use of Inside Information

The *Board of Statutory Auditors* monitored that the *Company* complied with laws and regulations governing “*Internal Dealing*” and “*Inside Information*”.

The *Company* has an *Internal Dealing Procedure* that was initially approved by the *Board of Directors* on 8 November 2002 and was updated on 29 July 2016 to incorporate the new EU regulations (Regulation (EU) No. 596/2014 (“MAR”), Commission Delegated Regulation (EU) 2016/522 of 17 December 2015, Implementing Regulation (EU) 2016/523 of 10 March 2016, and *Consob* Resolution no. 0061330 of 1 July 2016). *Consob* amended the *Listing Rules*, expanding the group of relevant persons and changing some of the transaction obligations for persons with administrative, supervisory or managerial functions, relevant persons or persons closely associated with them.

On 15 December 2017, the *Board of Directors* updated the *Internal Dealing Procedure* to meet the new legal and regulatory requirements.

Under the *Internal Dealing Procedure*, relevant persons and those closely associated with them are those who have administrative, supervisory or managerial functions in *Fiera Milano S.p.A.*, who must meet specific requirements.

The “*Procedure for Internal Management and Public Disclosure of Inside Information*”, incorporates the EU regulations on market abuse and includes a Register of persons who have access to inside information and the laws governing these persons.

The *Board of Statutory Auditors* monitored that the requirements for updating the Register under Article 115-*bis* of the *Consolidated Finance Act* and Articles 152-*bis* to 152-*quinques* of the *Consob Rules* were met.

Practical implementation of the corporate governance rules

With regard to the Report on Corporate Governance and Ownership Structure, the *Board of Statutory Auditors*, in order to comply with Article 124-*ter* of the *Consolidated Finance Act* and with Article 89-*bis* of the *Listing Rules*, wishes to state the following:

As part of its monitoring of the practical implementation of corporate governance rules, in accordance with Article 3, c. 5 of the *Self-regulatory Code*, the *Board of Statutory Auditors* verified the correct application of the criteria and procedures used by the *Board of Directors* to verify and arrive at a positive assessment of the independence of its *Directors*, both under Article 148, third paragraph of the *Consolidated Finance Act*, under the *Self-regulatory Code*, and under the recently adopted Rules governing the *modus operandi* of the *Board of Directors*, which gives greater weight to substance (a guarantee of independent judgement) than to form.

The self-appraisal process of the *Board of Directors* was done through the anonymous completion of a questionnaire by each *Director*, as required by *application criteria* no.1 c.1. paragraph g) of the *Self-regulatory Code*, regarding the size, composition and *modus operandi* of the *Board of Directors*, as well as the size, composition and *modus operandi* of the Advisory Committees within the *Board of Directors*. The results of the questionnaires were presented to the *Board of Directors* at its meeting on 12 March 2018.

The *Board of Statutory Auditors* considered the outcome of the appraisal to be substantially positive.

Monitoring the adequacy of the organisational structure

The *Board of Statutory Auditors* considers it both advantageous and important for the corporate governance of *Fiera Milano S.p.A.* and its subsidiaries that Compliance, Risk Assessment and Security departments have been set up, that the *Internal Audit* structure has been strengthened and that an executive has been appointed to the new role of *CFO*.

Assessment of the adequacy of the Internal Control and Risk Management System

The *Board of Statutory Auditors* has the responsibility of monitoring and assessing the adequacy of the *Internal Control System* and its compliance with the *Self-regulatory Code* and, in general, that it adheres to best practice both in terms of structure and operation.

The presence of a member of the *Board of Statutory Auditors* at all meetings of the *Control and Risk Management Committee* ensured the timely exchange of information necessary for both bodies to carry out their roles. It also ensured oversight of the *Control and Risk Management Committee* as required of the *Board of Statutory Auditors* under the *Self-regulatory Code* of Borsa Italiana (Article 7) and Article 19 of Legislative Decree no. 39/2010, and of the accounting audit and, in particular, ensured that the financial information process and the efficacy of the internal control systems, the internal audit, and risk management were monitored.

The *Board of Statutory Auditors* declares that it monitored the most important activities of the internal control and risk management systems through its attendance at meetings of the *Control and Risk Management Committee* and the Committee for Remuneration and by constant interaction with the *Internal Audit Department*.

Periodic meetings with the Head of *Internal Audit* and the Manager responsible for preparing the *Company* accounts and an analysis of the reports prepared by these persons on their activities allowed the *Board of Statutory Auditors* to monitor the financial information process and the efficacy of the internal control systems and the internal audit and risk management.

As part of this activity the *Board of Statutory Auditors* examined, in particular:

- the mandate given for the audit, which requires that the *Audit Firm* be independent, and that it has access to all the information it requires;
- the Audit Plan with a description of the activities scheduled for the financial year and the methodologies to be used;
- the *Audit Manual* that governs the responsibilities and activities of the *Internal Control Department*: the mandate, the *audit* process, risk mapping and assessment; the preliminary analyses and preparation of the work schedule, the execution of the audit, and the formalisation and disclosure of the results;
- the periodic reports on their activities prepared by the *Control and Risk Management Committee* and the *Head of Internal Audit*;
- the reports prepared at the end of the evaluation and monitoring process by the *Head of Internal Audit* with the relative results, recommendations and follow up;
- the quarterly updates on the risk management process, the results of the monitoring and assessment activities of the *Internal Audit* department.

The *Board of Statutory Auditors* expressed a favourable opinion, as required by the *Self-regulatory Code*, on the resources allocated in the budget to the *Internal Audit Department* and shown in the departmental flow chart.

On the matter of risk management, the *Board of Statutory Auditors* ascertained that the *Control and Risk Management Committee* had carried out its responsibilities of managing the main risks to which the *Company* is exposed.

As already described in this Report, the Anti-mafia Division of the Milan Court, revoked the administration order under which *Fiera Milano S.p.A.* had, at considerable financial cost, implemented an in-depth revision and restructuring of its corporate governance, the control systems and the roles and responsibilities of the corporate departments.

The *Board of Statutory Auditors* has recommended to the *Board of Directors* that it monitors that the departments and executives of the management areas of *Fiera Milano S.p.A.* and of the other Group companies implement the various corporate procedures and that the *Control Departments* implement appropriate and scheduled audit activities and provide periodic reports on the outcomes to the *Board of Directors* and/or where necessary to the *Control and Risk Management Committee* and to the *Board of Statutory Auditors*.

As established by the *Board of Directors*, in compliance with the guidelines of the *Self-regulatory Code*, the Corporate Governance Committee (hereinafter the “Committee”) approved the annual report on the application of the Code for the financial year under review.

The *Board of Statutory Auditors* has reiterated the results in the annual report prepared by the Committee in which it identifies three macro areas where the issuers need to adhere more closely to the recommendations of the Code.

Firstly, the *Committee* underlined the need for total transparency regarding the timeliness, completeness and usability of the documentation provided ahead of Board meetings and noted that precise indications on the appropriate timing for the provision of the documentation should be given.

Secondly, the *Committee* recommended that the issuer give a greater weight to the long-term variable component in its remuneration strategy, should introduce clawback clauses and should prepare criteria and procedures for the payment of any eventual termination of employment indemnities.

Thirdly, the *Committee* recommended that all issuers have an appointments committee, even those that have a concentrated ownership structure, and that, given its role, its responsibilities should be clearly defined if it is combined with the remuneration committee.

The *Board of Statutory Auditors* considers the comments of the *Committee* to be important also as regards the corporate code of ethics.

Risk factors

The *Board of Statutory Auditors* acknowledges that the *Board of Directors* in its Report on Operations states that in order to safeguard against risk and to manage risk and uncertainties, the Fiera Milano Group carries out periodic analyses that are based on recognised international standards for *Enterprise Risk Management: Fiera Milano S.p.A.* has a specific Group risk catalogue and a methodology for risk detection and assessment (hereinafter also “ERM”).

The *Board of Statutory Auditors* also acknowledges that *Fiera Milano Group* has reinforced its ERM safeguards by introducing the role of *Risk Manager* and by adopting a specific risk *Policy* (the “ERM Policy”).

The *Board of Statutory Auditors* acknowledges that the *Board of Directors* in its Report on Operations comments on the main risk factors and uncertainties to which the *Fiera Milano Group* is exposed as resulted from analyses of the sector in which it operates and of the specific characteristics of its business.

Assessment of the adequacy of the administrative and accounting system

Regarding assessment of the adequacy of the administrative and accounting system and its reliability to provide a true and fair view of the management of the business, the *Board of Statutory Auditors* declares that it received adequate information on the monitoring of the corporate processes of the administrative and accounting system and on the *Internal Control* system carried out during the year both for the periodic management reports and for the preliminary phase of preparation of the Financial Statements, to ensure that the obligations of supervision and monitoring that *Fiera Milano S.p.A.* is subject to under Legislative Decree 262/05 were fulfilled.

The *Board of Statutory Auditors* examined the work of the Manager responsible for preparing the *Company* accounts in accordance with the *Model* under Law 262/2005, the risk assessment process and the tests on the areas identified as requiring improvement and acknowledged the outcomes of the tests made on the control procedures and the schedule of activities planned.

The adequacy of the administrative and accounting procedures was verified through information acquired from the managers of the various departments and through analyses of the results of the work done on the procedures and of the impact these had on the financial information.

There are no critical issues or impediments to the release of the declaration by the Manager responsible for preparing the *company* accounts and the *acting Chairperson* of the *Board of Directors* regarding the adequacy of the administrative and accounting procedures employed in preparing the *Financial Statements of Fiera Milano S.p.A.* and the *Consolidated Financial Statements* for the 2017 financial year.

The *Board of Statutory Auditors*, also through information provided by the *Audit Firm*, monitored that the preparation, publication and format of the *Half-year Accounts* and of the *Interim Financial Statements* adhered to the relevant regulations and complied with the accounting standards

The *Board of Statutory Auditors*, also through the presence of some of its members on the *Boards of Statutory Auditors* of the subsidiaries, monitored that the instructions given to the subsidiaries by *Fiera Milano S.p.A.* were adequate as regards the data flows required to prepare the *Financial Statements* and the *Interim Financial Statements*.

The *Board of Statutory Auditors* reports that on 16 December 2016 the *Board of Directors* of the *Company*, having noted the changes made to the *Listing Rules* by *Consob* Resolution no. 19770 on interim management reporting, decided to continue to prepare and publish the quarterly reports as previously done and made public its decision.

Compliance with Legislative Decree no. 231/2001

As required, with reference to the organisational and procedural steps taken to comply with Legislative Decree no. 231/2001 on the administrative responsibility of entities for crimes under this Decree, the *Board of Statutory Auditors* has:

- assessed that the members of the *Supervisory Committee* meet the professional requirements of the *Model* under Legislative Decree no. 231/2001;
- assessed the adequacy of the powers and financial resources given to the *Supervisory Committee* to carry out its corporate responsibilities;
- verified that the reports received were consistent with the information requirements of the *Model*;
- had oversight of the work schedule and budget of the *Supervisory Committee* for the 2017 financial year;
- received the "*Periodic Report for the Board of Directors and the Board of Statutory Auditors*" on the activities of the *Supervisory Committee* in the 2017 financial year. The Report gives suggestions and recommendations on the current corporate management procedure of the *Company*.

The *Company* held training sessions and other events for all its stakeholders also to ensure that the rules of the Organisational Model are respected.

The current Supervisory *Committee* was appointed by the *Board of Directors* on 29 May 2017 and its members are the *Chairperson* Mr Piero Antonio Capitini, and Mr Luigi Bricocoli and Mr Jean-Paule Castagno.

The members of the Supervisory *Committee* are remunerated for their work.

Under the Model 231 certain information must be provided to the Supervisory *Committee* in order to improve its monitoring of the functioning and compliance with the Model 231.

The Italian subsidiaries of *Fiera Milano S.p.A.* that are not listed have adopted a specific Model 231 and the *Board of Directors* has appointed the members of each Supervisory *Committee* in order to reach a technical/operational solution that, while respecting the authority and powers accorded by law to these *Committees*, is appropriate for the size and organisational context of each *company* and respects the relevant guidelines issued by the *Parent Company*.

Since the *foreign subsidiaries* of the *Company* are not subject to the provisions of Legislative Decree no. 231/2001, they do not have Models 231 but are governed by the requirements of the *Group Code of Ethics* and the “*Guidelines for anti-corruption safeguards and other compliance programmes*” in order to have a systematic reference framework of standards for crime prevention.

Legislation governing data protection

During the financial year under review, the *Fiera Milano Group* updated its security practices to guarantee an adequate level of personal data protection under the provisions of the *Data Protection Code* (Legislative Decree 196/2003) and of the Provisions issued by the *Data Protection Authority*.

Management Procedure for Disclosures, including Anonymous Notifications (Whistleblowing) received by Fiera Milano S.p.A. and its Subsidiaries

The *Board of Statutory Auditors* received information and carried out an independent assessment of the risks of failing to adhere to the “*Management Procedure for Disclosures, including Anonymous Notifications received by Fiera Milano S.p.A. and its Subsidiaries*” (hereinafter also the “*Procedure*”).

The *Procedure* was adopted on 8 November 2016 and the most recent version dates to September 2017. The *Procedure* governs receipt, analysis and treatment of whistleblowing disclosures, including those made anonymously or in confidence, from third parties or from *Fiera Milano Group* personnel.

The disclosures may include, *inter alia*: crimes, illicit or anomalous activities and/or behaviour of any kind, also omissive, attributable to the employees of the *Fiera Milano Group* or third-parties that violate the *Code of Ethics*, the *Models 231* adopted by the Companies of *Fiera Milano Group*, internal regulations issued by the *Fiera Milano Group*, laws or regulations or obligations issued by the Authorities or any acts that could cause damage or detriment of any kind to the *Fiera Milano Group*.

When the *Procedure* was last revised, a new *Disclosure Committee* was appointed; its members are the executives in charge of the Security, Compliance and Internal *Control Departments of the Group*.

The *Committee* reports to the Supervisory *Committee* on the checks it has made following any violation of the provisions of Legislative Decree no. 231/2001.

Non-financial Information

To comply with the provisions of Article 5, paragraph 3, letter b of Legislative Decree no. 254/2016, the *Board of Directors* of *Fiera Milano S.p.A.* has prepared the 2017 Consolidated Disclosure of Non-financial Information (hereinafter also “*NFD*”), which was drawn up in compliance with *GRI Standards*.

A *limited scope audit* of the *NFD* was carried out by the *Audit Firm* (in compliance with *ISAE 3000*) and in a separate report to the *Board of Statutory Auditors*, in its role as the *Committee* for Internal Control and Financial Audit (hereinafter also the “*Audit Committee*”), expressed the opinion that it complied with the standards.

The *Board of Statutory Auditors*, insofar as it concerns it, states that the *Board of Directors* has evaluated the adequacy of the procedures and structures governing the preparation, recording, measurement and presentation of the results and of the non-financial information.

Omissions or reprehensible actions

Following the monitoring and control activities carried out in the financial year under review, the *Board of Statutory Auditors* can state that:

- in the course of its activities it found no omissions, irregularities, reprehensible actions or matters of significance that needed to be reported to the corporate bodies or included in the present Report;
- no transactions with third-parties, intergroup and/or with related-parties were identified that could be considered atypical or unusual because of their content, nature, size and timing.

Monitoring the statutory audit of the Financial Statements

Legislative Decree no. 135/2016, issued to implement Directive 2014/56/EU on statutory audits of annual accounts and consolidated accounts, amended Legislative Decree no. 39/2010. Regulation (EU) No. 537/2014 gives specific requirements regarding statutory audit of public-interest entities.

The requirements under this law for the *Board of Statutory Auditors* as the *Audit Committee* for the statutory audit are:

- to communicate to the *Directors* the outcome of the audit and ensure they receive the *Additional Report* together with any comments;
- to monitor the financial information process and to make recommendations or proposals to guarantee the integrity of the information;
- to monitor the efficacy and quality of the internal control systems and of the risk management;
- to monitor the audit also taking account of any quality control observations from *Consob*;
- to verify and monitor the independence of the *Auditors*;
- to manage the selection process of the *Auditors* and recommend the *Audit Firm* to be appointed.

In its role as the *Audit Committee*, the *Board of Statutory Auditors* states that, on 9 November 2017, the *Audit Firm* delivered the document “*Audit activity to 31 December 2017*”, which gave the scope and timing of the audit.

During the financial year under review, there was regular contact with the *Audit Firm* either through formal meetings that were also attended by the management of the *Company* and informal meetings between individual members of the *Board of Statutory Auditors* and representatives of the *Audit Firm* for the reciprocal exchange of relevant data and information as required under Article 150 of the *Consolidated Finance Act*.

The *Board of Statutory Auditors*, the *Audit Firm* and the *Risk Management Committee* held planning meetings to discuss the audit services, the audit process and methodology, the results of the audit and individual entries in the Financial Statements. There was always maximum collaboration among the parties even during the preparatory work for the year-end Financial Statements and no critical circumstances worthy of mention arose.

In its role as the *Audit Committee*, the *Board of Statutory Auditors* states that on 28 March 2018 the *Audit Firm* presented its *Additional Report* covering the audit activity, the planning and process of the audit, including the methodologies used and their significance, and any comments on the main accounting systems used by *Fiera Milano S.p.A.*, adherence to ethical procedures (compliance with laws, regulations and the *Company Articles of Association*), contacts with the *Board of Statutory Auditors* in its role as the *Audit Committee*, with the *Internal Control* and *Risk Management Committee* and the *Management bodies*, and the main results of the statutory audit.

The *Report* also analyses any significant matters arising from the audit and any other significant deficiencies considered key to the *Audit Report*.

The *Additional Report*, which the *Board of Statutory Auditors* in its role as the *Audit Committee* will communicate to the *Internal Control* and *Risk Management Committee* and to the *Board of Directors* on 28 March 2018, revealed no significant deficiencies in the *Internal Control System* for the financial information process and/or in the accounting system, or significant instances of non-compliance with laws and regulations or the *Company Articles of Association* and there were no difficulties were experienced in acquiring the probative support for the information.

In its role as the *Audit Committee*, the *Board of Statutory Auditors* expressed a favourable opinion on the results presented in the *Report* as required under Article 7.C.1, letter e) of the *Self-regulatory Code*.

Given the “*Annual Transparency Report*” prepared by the *Audit Firm* EY S.p.A., published on its website, and the “*Declaration of Independence*” included in the *Additional Report*, the formal confirmation of its independence issued by the aforementioned *Audit Firm* in its *Audit Report* and in the communications following its appointment and that of entities belonging to the same network as the *Audit Firm* by *Fiera Milano S.p.A.* and the Companies it consolidates, and having verified that it did not provide any non-audit services prohibited under Article 5, paragraph 1 of Regulation (EU) No. 537/2014, the *Board of Statutory Auditors* does not believe there any critical circumstances regarding the independence of the *Audit Firm* EY S.p.A.

As regards the Disclosure of Non-financial Information required of large public-interest entities that is applicable to *Fiera Milano S.p.A.* from 1 January 2017, the *Audit Firm* carried out a limited scope audit on the NFD (in compliance with ISAE 3000) and expressed the opinion (in the form of a Negative Assurance that the information provided complied with Decree 254 and the reporting standards adopted) in a separate *Report* delivered to the *Audit Committee* on 28 March 2018. The *Audit Report* also mentioned that *Fiera Milano Group* had prepared *Disclosure of Non-financial Information*.

The outcomes of the summary *Report* on the *Board of Statutory Auditors*' activity in its role as the *Audit Committee*, has been provided to the *Board of Directors* and to the *Internal Control* and *Risk Management Committee*.

Statutory audit of the Financial Statements given to EY S.p.A.

The *Audit Firm* E&Y S.p.A. was paid a total of Euro 189,000 for the full audit of the Financial Statements and the Consolidated Financial Statements and a limited audit of the Half-year Financial Statements.

Approval of non-audit assignments given to E&Y

Article 5 of Regulation (EU) No. 537/2014 (adopted with Article 17 of Legislative Decree no. 39/2010 and amended by Legislative Decree no. 135 of 17 July 2016) requires approval by the *Board of Statutory Auditors* of any non-audit services undertaken by the *Audit Firm* or the network to which the *Audit Firm* belongs. The *Audit Firm* provided the *Board of Statutory Auditors* with exhaustive information on the non-audit services it provided and the latter verified the competency of its work and found no problems.

Fiera Milano S.p.A. requested additional services from the *Audit Firm* EY S.p.A. for a total cost of Euro 93,000 for:

- *Audits* of the periodic reports
Euro 58,000;
- *Limited scope audit of non-financial Information*
Euro 35,000;

The *Board of Statutory Auditors* examined the proposals put forward by the *Audit Firm* EY S.p.A. for professional and consultancy services and verified that these services were not incompatible with the statutory audit under Article 160 of the *Listing Rules*, confirmed by *Consob* in the document "consultation outcome" of 4 May 2007.

In the interests of providing fuller information, we declare that the *Audit Firm* EY S.p.A. and companies in its network, were requested by *Fiera Milano S.p.A.* and its subsidiaries to provide audit services for a total value of Euro 167,000 and other audit services for a total of Euro 32,000 as follows:

- *Audit services agreed for the periodic reports*
Euro 32,000.

Monitoring of the Financial Statements and the Consolidated Financial Statements

Regarding the *Financial Statements* and the *Consolidated Financial Statements at 31 December 2017*, the following should be noted.

The *Board of Statutory Auditors* ascertained, through direct verification and through information received from E&Y S.p.A., that the legal requirements governing the format and preparation of the *Financial Statements*, the *Board of Directors' Management Report* and the tables have been met, and certifies the correct use of the accounting standards described in the *Notes to the Financial Statements* and in the *Board of Directors' Management Report*.

In accordance with *Consob* Resolution no. 15519/2006 the effect of related-party transactions is clearly shown in the tables of the *Financial Statements*.

The *Notes to the Financial Statements* provide the information on impairment of assets required under International Accounting Standards. At its meeting on 5 March 2018, the *Board of Directors*, formally recognised that the impairment tests complied with the requirements of IAS 36 and of Banca d'Italia/*Consob*/Isvap Document no. 4 of 3 March 2010. This was independently verified and done prior to the approval of the *Financial Statements* as recommended by the aforementioned Document. The *Board of Statutory Auditors* states that, in a joint meeting with the *Control and Risk Management Committee*, it analysed and discussed the supporting documentation and verified that the methodologies used were consistent with those used previously. It believes that the procedures were correct and that the main valuation assumptions used were reasonable and, therefore, agreed with the outcomes.

The *Board of Statutory Auditors* wishes to point out that the impairment tests led to impairment charges totalling Euro 2.768 million in the *Consolidated Financial Statements* (for trademarks) and Euro 11.232 million (Euro 9.698 for investments and Euro 1.534 million for trademarks) as shown in the *Explanatory and Supplementary Notes to the Financial Statements*.

These impairment charges were also caused by the revisions made to the Industrial Plans for the coming years of some companies of the *Fiera Milano Group*; these revisions resulted in lower gross operating profit in some investments and a reduction in their recoverable value and consequently in the values of the investments.

The *Financial Statements* reflect the facts and information of which the *Board of Statutory Auditors* became aware during the exercise of its monitoring responsibilities and through its control and inspection powers.

The *Chairperson* of the *Board of Directors* and the *Manager* responsible for preparing the *company* accounts have released the declaration under Article 81-ter of *Consob* Resolution no. 11971/1999 and subsequent amendments and modifications and of Article 154-bis of the *Consolidated Finance Act*.

The *Board of Directors' Management Report* meets the requirements of law and is consistent with the figures and information in the *Financial Statements*; it provides wide-ranging information on the activities and material transactions of which the *Board of Statutory Auditors* was duly made aware, as well as the main risks to which the *Company* and the subsidiaries are exposed, on intergroup and related-party transactions, and also on changes to the corporate organisation to meet the corporate governance requirements, in accordance with the *Self-regulatory Code* governing listed companies, and to incorporate the corporate governance changes required by the Anti-mafia Division of the Milan Court.

On 28 March 2018, the *Audit Firm* issued its reports in accordance with Article 14 of Legislative Decree no. 39 of 27 January 2010 and Article 10 of Regulation (EU) No. 537/2014; these reports state that the *Financial Statements* and the *Consolidated Financial Statements at 31 December 2017* conform to the *International Accounting Standards – IFRS* – adopted by the *European Union* and to the provisions of Article 9 of Legislative Decree no. 38/2005, have been prepared with clarity and represent a true and fair view of the *capital and financial situation*, the financial results and the cash flows for the financial period ending on that date.

The *audit reports* comment on the congruence of the *Financial Statements with the Board of Directors' Management Report* and the specific information in the *Report on Corporate Governance and Ownership Structure*, under Article 123-bis, paragraph 4 of Legislative Decree no. 58/98, and that these conform to legal requirements.

With regard to the *Disclosure of Non-financial Information* under Article 5, paragraph 3, letter b of Legislative Decree no. 254/2016 that was prepared using the knowledge and understanding of the business and its sector acquired as part of its activities, the *Report*, in compliance with Article 3, c.10 of Legislative Decree 254/2016 and Article 5 of *Consob* Regulation no. 20267, concludes: “Based on the work carried out, no elements have come to our attention that might lead us to consider that the *Fiera Milano Group Disclosure* of non-financial information for the period ending 31 December 2017 was not prepared in all its most important aspects in compliance with the requirements of Article 3 3 4 of the Decree and GRI Standards”.

Except for the contents of the present *Report*, the *Board of Statutory Auditors* (the *Audit Committee*) has no further comments to make concerning the approval of the *Financial Statements at 31 December 2017* and the proposal of the *Board of Directors* as expressed in the *Board of Directors' Management Report*.

Milan, 28 March 2018

The Board of Statutory Auditors

Ms Federica Nolli

Mr Antonio Guastoni

Mr Carmine Pallino

Independent Auditors' Report



EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Fiera Milano S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Fiera Milano Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of Fiera Milano S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato: Euro 3.250.000,00 sottoscritto e versato Euro 3.100.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta all'Albo Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matter:

| Key Audit Matter | Audit Response |
|---|--|
| <p>Evaluation of goodwill and intangible assets with definite useful life</p> <p>At December 31, 2017 the carrying amount of goodwill and intangible assets with definite useful life was euro 94,2 million and euro 12,5 million, respectively, which were allocated to the Group's Cash Generating Units (CGUs). In 2017, the Company recorded an impairment of intangible assets with definite useful life for euro 2,8 million. The recoverable amount of goodwill is periodically tested for impairment (impairment test) at least annually at the end of the reporting period, or more often, if there is any indication of impairment. Intangible assets with definite useful life, which are being depreciated, are tested for impairment only when there is an indication of impairment. The processes and methodologies to evaluate and determine the recoverable amount of the CGUs, in terms of value in use, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the cash flow forecasts for the period covered by the 2018-2022 Group business plan, the normalized cash flows used to estimate terminal value and the discount rate and long term growth rates applied. Considering the materiality of the carrying amount of such assets and the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of goodwill and of intangible assets with definite useful life, we have determined that this area constitutes a key audit matter. The Company included disclosures related to the nature and the main assumptions used for impairment test in note 6 "Goodwill" and note 7 "Intangible assets with definite useful life".</p> | <p>Our audit procedures relating to this key audit matter included, among others: (i) understanding the procedure and the key controls implemented by the Group to evaluate goodwill and intangible asset with definite useful life; (ii) validating the CGUs perimeter and the allocation of the carrying value of asset and liabilities to the CGUs; (iii) reviewing of the report of the external experts who supported the Management in performing the impairment test, including the valuation of their competence, capabilities and objectivity; (iv) assessing the significant assumptions underlying the cash flow projections, the determination of the weighted average cost of capital, the discount rate and the long-term growth rates used in defining the terminal value, and performing sensitivity analyses; (v) assessing the variance of actual results from the previous forecasts assumed by the Group; (vi) verifying the mathematical correctness of the calculation of the impairment test; (vii) verifying the consistency of the forecast of future cash flows of the CGUs with the group business plan for the period 2018-2021. In performing our audit procedures we also involved our valuation specialists who assisted us in the assessment of assumptions and methodology utilized by the Group and independently performed their own calculations and sensitivity analyses of key assumptions.</p> <p>Lastly, we reviewed the adequacy of the disclosures made in the notes to the consolidated financial statements relating to evaluation of goodwill and intangible assets with definite useful lives.</p> |



Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Company or to cease trading, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;



- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Fiera Milano S.p.A., in the general meeting held on 29 April 2014 engaged us to perform the audits of the separate and consolidated financial statements for of the years ending 31 December 2014 to 31 December 2022.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.



Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Fiera Milano S.p.A. are responsible for the preparation of the Management Report and of the Report on Corporate Governance and Ownership Structure of Fiera Milano Group as at 31 December 2017 including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Management Report and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Fiera Milano Group as at 31 December 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Management Report and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Fiera Milano Group as at 31 December 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Fiera Milano S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, 28 March 2018

EY S.p.A.
Signed by: Federico Lodrini, Partner

This report has been translated into the English language solely for the convenience of international readers.

Resolutions passed by the Ordinary Shareholders' Meeting

The Ordinary Shareholders' Meeting held on 23 April 2017 in Rho (Milan) at the Auditorium of the Centro Servizi of the Exhibition Site, Strada Statale del Sempione no. 28,

passed resolutions

1)

- to approve the Financial Statements for the year to 31 December 2017, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in net equity, the statement of cash flows and the relative explanatory and supplementary notes to the financial statements that show a net loss of Euro 863,987.03 as presented by the Board of Directors in its entirety, and each individual item with the proposed allocations, as well as the Board of Directors' Management Report;
- to cover the net loss for the financial year of Euro 863,987.03 by using the share premium reserve.

2)

- to appoint the Board of Statutory Auditors for three financial years and, therefore, until the approval of the Financial Statements to 31 December 2020, composed of the following persons:

a) Statutory Auditors

1) Riccardo Raul Bauer, born in Milan on 12 January 1951, as Chairperson

2) Daniele Federico Monarca, born in Milan on 22 April 1959,

3) Mariella Tagliabue, born in on Monza on 31 August 1970,

b) Substitute Auditors

1) Daniele Beretta, born in Milan on 25 April 1980,

2) Marina Scandurra, born in Rome on 15 December 1969,

These persons meet the requirements of probity and professionalism and of independence under Article 148, paragraph 3, of The Consolidated Finance Act and under Article 3 of the Self-regulatory Code for Listed Companies, referred to in Article 8 of the Self-regulatory Code.

- to determine the remuneration of the Statutory Auditors as follows: (i) gross annual remuneration of Euro 50,000 (fifty-thousand/00) for the Chairperson (ii) gross annual remuneration of Euro 35,000 (thirty-five-thousand/00) for each Statutory Auditor. Members of the Board of Statutory Auditors will be reimbursed of any expenses incurred during their work.

3)

- to approve the contents of Section One of the Report on Remuneration, prepared in accordance with Article 123-ter of Legislative Decree 58/98, regarding the Company policy on remuneration of the members of the Board of Directors and, in particular, the Directors with special responsibilities, members of the Committees and the Executives responsible for the Group strategy, and the procedures required to adopt and implement this policy.

4)

- to approve the Performance Share Plan 2018-2019 prepared in accordance with Article 114-bis of Legislative Decree 58/98, under the terms described above and as detailed in the Information Document for the Plan published in accordance with applicable rules, to replace the 2017-2023 Stock Option Plan approved by the Ordinary Shareholders' Meeting on 28 April 2016;
- to give the Board of Directors all the necessary and appropriate powers to implement the Performance Shares Plan 2018-2019, including, for example, every power: (i) to identify, include or exclude Beneficiaries, (ii) to determine the number of shares to be allocated free of charge to each Beneficiary, the bonus amount and the number of shares to be allocated to each Beneficiary, (iii) to draw up the allocation forms and determine the performance targets under the Plan, (iv) to verify that the conditions in the Rules governing the Plan for paying the bonus and allocating the shares to each Beneficiary have been met; (v) to make the allocations to the Beneficiaries, (vi) to prepare and approve the Rules governing the Plan and make any changes to them considered necessary and/or appropriate, also to adjust them in the light of any extraordinary events that might occur, (vii) prepare and/or finalise any document necessary or appropriate regarding the Plan, including the disclosure of information to the market in accordance with applicable law and regulations and (viii) to carry out any action, fulfil any obligation, formality or make any disclosure necessary or appropriate to manage and/or implement the Plan, with the faculty of delegating the powers, tasks and responsibilities for the execution and implementation of the Plan.

5)

- to revoke the authority to buy back and dispose of treasury shares approved by the Ordinary Shareholders' Meeting of 21 April 2017;
- to authorise the Board of Directors, in accordance with and by effect of Article 2357 and following of the Italian Civil Code, to buy back shares of the Company, in the amount, at the price, and according to the procedures described below:
 - that purchases may be made in one or more tranches up to 18 months from the date of the present resolution;
 - that the purchase price of each share is no higher than the higher of the price of the most recent independent transaction and the current highest independent offer price in the market where the acquisition transaction is done subject to the unit price of the shares being no higher than 10% and no lower than 10% of the reference price recorded by Fiera Milano shares on the Italian stock exchange (MTA – Mercato Telematico Azionario) organised and managed by Borsa Italiana S.p.A. in the trading session preceding each individual transaction;

- that the maximum number of shares purchased, including treasury shares already held by the Company and its subsidiaries, must not exceed one fifth of the share capital;
- the purchase of treasury shares in one or more tranches, in compliance with applicable laws and regulations including the market procedures recognised by Consob. The buyback of treasury shares must be made respecting the provisions of Article 3 of Regulation 1052 and the applicable provisions of the Italian Civil Code and in such a way as to ensure equal treatment for all shareholders in accordance with Article 132 of Legislative Decree no. 58/1998, Article. 144-bis of Resolution no. 11971 issued on 14 May 1999 and any other applicable Italian or EU law;
- to authorise the Board of Directors under enacted law to dispose of part or all of the shares with no time restrictions even before the buyback authority has been exhausted; the disposals may be made in one or more tranches through sales on regulated and/or unregulated markets or off market, or by public offer, or as consideration for the purchase of shareholdings or by way of a distribution to shareholders. The selling price must be no lower than that of the lowest purchase price. This price limit will not be applicable in the event the shares are disposed of as part of an equity-based incentive scheme. If the shares are used as part of extraordinary transactions, for example, share swaps, exchanges, conferrals or as part of capital transactions or other corporate and/or financial transactions and/or other extraordinary transactions and any other non-cash asset disposal transaction, the financial terms of the transaction will be decided by the Board of Directors according to the type and characteristics of the transaction, also taking account of the market performance of the Fiera Milano shares;
- to grant the Board of Directors and, acting on its behalf, the appointed Chairperson and Chief Executive Officer, jointly and severally, any necessary power to make purchases or disposals and, however, to implement the aforementioned resolutions, also through agents, complying with any eventual request from the competent authorities.

FIERA MILANO SpA

Registered offices: Piazzale Carlo Magno, 1 – 20149 Milan, Italy

Operational and administrative headquarters:

Strada Statale del Sempione, 28 – 20017 Rho (Milan) Italy

Share capital: Euro 42,445,141.00 fully paid up

Companies Register, Tax code and VAT no. 13194800150

Economic Administrative Register 1623812

Freephone number: 800820029

Phone +39 02 4997.1

Fax +39 02 4997.7379

email: fieramilano@fieramilano.it

April 2018

This document is available for inspection on the Company's website at www.fieramilano.it/en

Graphic design and layout

Sunday, Torino

Freephone number: 800820029
Phone +39 02 4997.1
Fax +39 02 4997.7379
email: fieramilano@fieramilano.it



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