

# 2018

## Annual Report

# Annual Report



**FIERA MILANO**

This document contains a faithful translation into English of the original report in Italian Relazione Finanziaria Annuale 2018. 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 2018 shall prevail upon the English version.

# 2018

## Annual Report

Annual  
Report



**FIERA MILANO**

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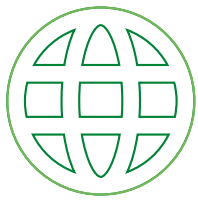
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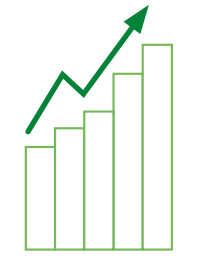
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# MISSION

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**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

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Dear Shareholders,

2018 closed with a net profit of Euro 18.6 million, a consistent improvement compared to previous years.

In this overview of the main events of the year, we would like to start with our **2018-2022 Strategic Plan**, presented to the market in May. The strategic lines focus on expansion of the exhibitions and conferences business, stronger penetration of services and cost efficiency improvements. It is a Plan built on the solid foundations of our business model, the excellence of Fiera Milano, and on the appeal of Milan and its international approach. An **investment plan** for a total of Euro 70 million - sustained by Fondazione Fiera Milano, the asset owner - in the period 2018-2020 will help to make the Rho exhibition site and the MiCo conference centre even more competitive. Another key point of the strategy is the enhancement of our human resources, and their active involvement in the path to change, an indispensable element in achieving our defined objectives.

The Plan has set financial targets for the five-year period, in particular envisaging a net profit in each year regardless of the seasonal nature of the business.

The 2018 results were much better than the target defined in the Plan due to the overall positive performance of the exhibition market and considerably improved operating efficiency.

Worth mentioning among the events in the **Italy calendar** is the first edition of THE INNOVATION ALLIANCE, which has combined five synergic exhibitions that cover the entire industrial engineering production chain. In a single event, all the sector's professional operators found an extensive mix, from processing to packaging, plastics and rubber processing to industrial and commercial printing, graphics customisation, packaging to labelling, storage systems and end-of-line handling. The invaluable and complete proposal for the entire industrial engineering production chain attracted over 150 thousand sector operators, with a 27% international presence.

The annual events performance was also positive. Of these, the Salone Internazionale del Mobile saw over 434 thousand visitors from 188 countries, a 17% increase compared to the 2016 edition, which proposed the same biennial events dedicated to the kitchen and bathroom, and 26% up on 2017. In the motorcycling sector, Eicma was an extraordinary magnet for the public, reaching the record numbers of the previous edition in a year that also saw other biennial exhibitions in this sector. Among the events held at MiCo, we should remember the success of the Organization for Security and Co-operation in Europe (OSCE) Summit which saw the participation of 80 heads of delegation, 1,400 delegates and 80 NGOs.

In November, with the spirit of seizing on emerging trends, Fiera Milano launched the Artificial Intelligence Expo of Application (AIXA), the first B2B event dedicated to real AI applications. Over 2,000 professionals met during conventions and workshops on the different Artificial Intelligence applications offered for the entire production and business cycle: from latest generation implementations on design and manufacturing, the role of advanced technology in transforming distribution, market and communication strategies, as well as changes in relations with customers.

Returning to the Plan, many actions were undertaken in 2018 for its implementation. As part of the strengthening of the events portfolio, major **international exhibition organisers** rewarded Fiera Milano and the ecosystem connecting the exhibition site with the city of Milan and the region, choosing our site for their events. Among these are CPhI Worldwide, the largest global event dedicated to the pharmaceutical industry, to be held at Fiera Milano in October 2020 with 47,000 sector professionals and 2,600 exhibitors from





more than 150 countries. EMO, the global event for the machine tools, robots and automation construction industry will be back in Milan in October 2021. ITMA, the largest exhibition worldwide for the textiles and clothing industry, to be held in Milan in 2023 after beating another two bidders selected from an initial list of nine venues, with 150,000 visitors expected.

With regard to the **international** activities, we have strengthened our presence in China, through the joint venture with the Deutsche Messe partners, acquiring LET China, the keynote event for logistics and transport systems. The event will be held in Guangzhou, in the Guangdong region, one of the most industrialised in China, of major attraction to Italian businesses. Also joining the Chinese exhibition portfolio will be LASERFAIR, the most important event in China for technology in the laser industry and for processing and applications in the automation industry. The exhibition will be held in Shenzhen, the hi-tech capital of the People's Republic of China.

We are working on exporting successful exhibition business models to beyond the Italian frontiers, creating the first "geoclone" E-pack Tech, the new event dedicated to technology and packaging materials for e-commerce. The event will be held in Shanghai in October 2019 as part of CeMAT Asia, China's leading exhibition dedicated to internal handling, technological automation, transport systems and logistics.

As regards Brazil, the subsidiary Cipa Fiera Milano has become stronger with the acquisition of the remaining 50% of Tubotech, an international biennial event on technology for the manufacture and processing of piping, valves, pumps, accessories and components.

Major **operating efficiency improvements** were also achieved in Italy during the year. This also includes a plan to streamline the Group's corporate structure that began with the merger of the 100% subsidiary Ipack-Ima S.p.A. Further simplification of the corporate structure is planned in 2019.

In 2018, strong from reassignment of the **STAR** qualification for the Company's shares, the financial market believed in Fiera Milano, recognising an appreciation of the share among the Italian share price leaders.

We will continue our commitment to implementing the Strategic Plan with a view to creating value for all stakeholders. The sound financial position and additional generation of cash flows forecast will allow us to assess any growth opportunities that might arise.

**Chairperson**

Lorenzo Caprio

**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

1946

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.

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 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.

2000

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

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**Fiera Milano was established as a worldwide showcase for Italian products. A venue where demand and supply can be satisfied, where technological progress in every industry can be seen and in the production chain, from semi-finished to end products. Exhibiting at Fiera has always been the final moment in a long process. The fifteen days of La Campionaria where those in which exhibitors, from large corporations to small family businesses, showed their best output: the exhibition was the springboard for anticipating market trends.**

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**

**2008**

**2011**

**2015**

**2018**

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.

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.

Fiera Milano presented its new 2018-2022 Strategic Plan. The Plan focuses on four strategic lines: development of the portfolio of third-party events and conference business; enhancement of services; strengthening directly organised events; expansion of international business.

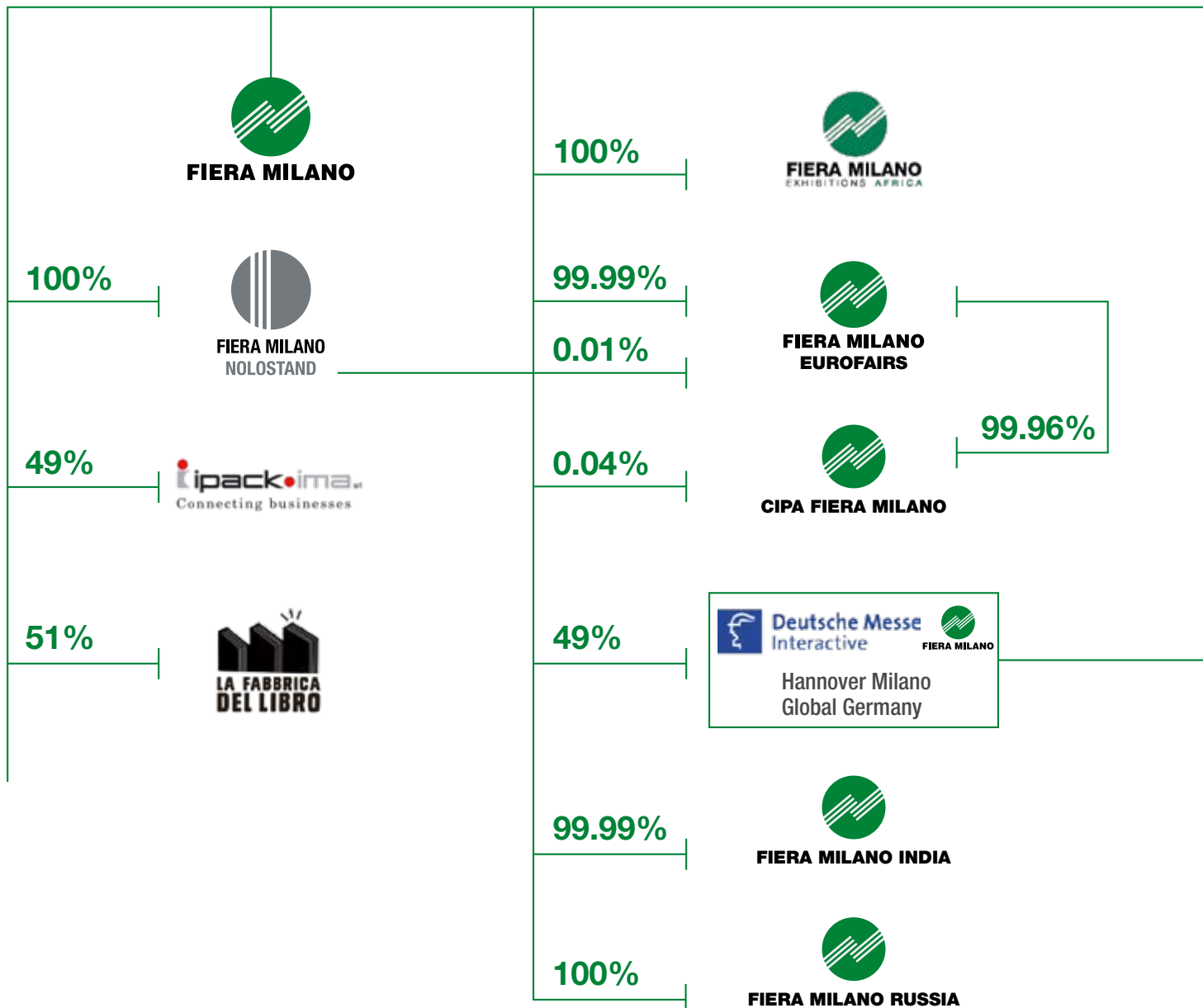
# GROUP STRUCTURE



ITALIAN EXHIBITIONS BUSINESS



FOREIGN EXHIBITIONS BUSINESS





MEDIA



CONGRESSES



FIERA MILANO  
MEDIA

100%



FIERA MILANO  
CONGRESSI

100%

51%



100%

Hannover Milano  
Fairs China

Hannover Milano  
Fairs Shanghai

51%

Hannover Milano  
Best Exhibitions  
(Guangzhou)

99.99%

Hannover Milano  
Fairs India

# BUSINESS PRINCIPLES



**ONE GROUP**  
a single integrated group



**MARKET FOCUS**  
to capture every market opportunity



**PEOPLE ENGAGEMENT**  
targeting engagement of all company employees, enhancing empowerment, rewarding best performance



**The new Group principles defined in the 2018-2022 Strategic Plan are:**



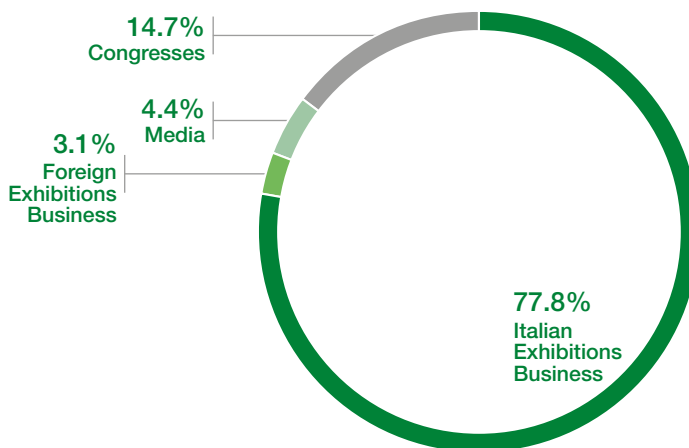
**EXECUTION EXCELLENCE**  
for a perfect and agile performance, greater operating efficiency through strict cost control and an effective organisation

# HIGHLIGHTS

## PERFORMANCE



REVENUES  
**247**  
EURO MILLION



EBITDA  
**32**  
EURO MILLION

## BUSINESS

N° EVENTS

**79**

OF WHICH ABROAD

**27**

N° EXHIBITORS

**35,615**

OF WHICH ABROAD

**7,750**

## EXHIBITION SPACE

NET FLOORSPACE OCCUPANCY

**1,972,175**

OF WHICH ABROAD

**466,795**

GROSS EXHIBITION CAPACITY

**399,000** sq.m.

OF WHICH

**345,000** sq.m. **54,000** sq.m.

AT  
**fieramilano**

AT  
**fieramilanocity**

## HUMAN RESOURCES

N° GROUP  
EMPLOYEES

**696**

OF WHICH  
ABROAD

**97**

N° FEMALE EMPLOYEES  
IN GROUP

**467**

**61%**  
OF THE COMPANY  
POPULATION

# FIERA MILANO ON THE STOCK EXCHANGE

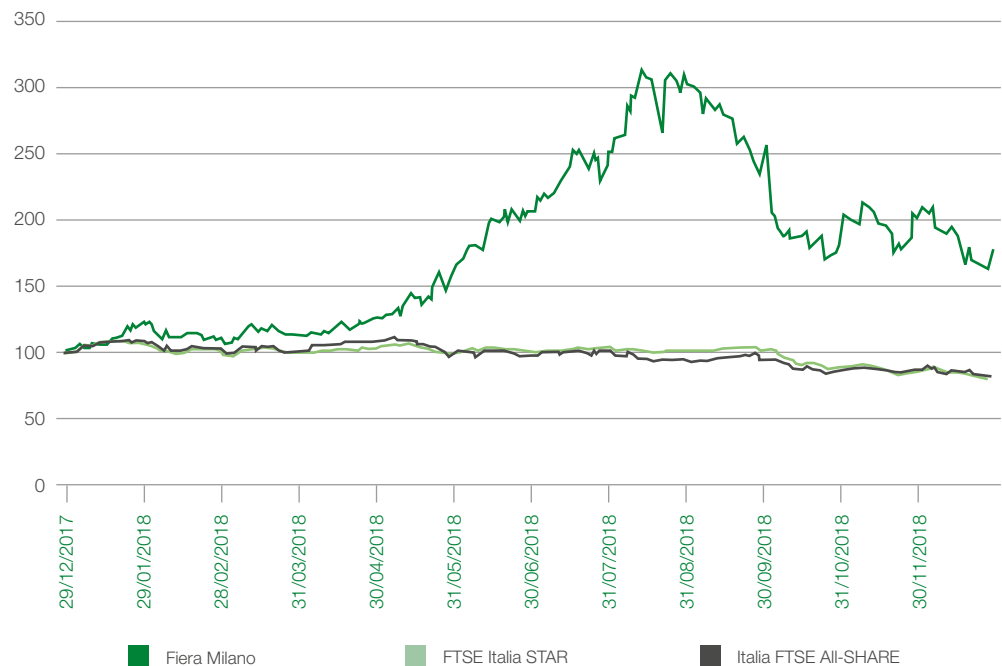
**FIERA MILANO  
SHARE  
PERFORMANCE  
IN 2018:  
+78%**

Fiera Milano SpA has been listed in the STAR segment of Borsa Italiana's MTA market since 12 December 2002.

The STAR segment (High Performance Equities) is the MTA market segment trading securities with capitalisation of between Euro 40 million and Euro 1 billion issued by companies committed to satisfying the highest requirements of corporate governance and reporting.

The chart below shows the Fiera Milano share performance in 2018, compared with those of the FTSE Italia All-Share and FTSE Italia STAR indices. During the period, the Fiera Milano share performance was 78%, whilst that of the FTSE Italia All-Share and FTSE Italia STAR indices was negative at 17%.

**FIERA MILANO SHARE PERFORMANCE AND THE MAIN INDICES (base 29.12.2017=100)**



**LISTING AND CAPITALIZATION FROM 02/01/2018 TO 31/12/2018**



**Listing (euro)**



**Capitalization (millions of euro)**

	at 02/01/2018	max	min	at 31/12/2018	at 02/01/2018	max	min	at 31/12/2018
<b>Fiera Milano</b>	<b>1.87</b>	<b>5.91</b>	<b>1.90</b>	<b>3.33</b>	<b>134</b>	<b>425</b>	<b>137</b>	<b>239</b>



# STRATEGY

## PILLARS



**MAXIMISE**  
the potential of exhibition sites  
and conference centres



**INVEST**  
in the reference industrial sectors



**ENHANCE**  
human capital

## FOUR STRATEGIC LINES



**DEVELOPMENT**  
of the portfolio of third-party events  
and conference business



**ENHANCEMENT**  
of services



**STRENGTHENING**  
directly organised events



**EXPANSION**  
of international business

# CORPORATE BODIES AND INDEPENDENT AUDITORS

## BOARD OF DIRECTORS

<b>Lorenzo Caprio</b>	Chairperson
<b>Fabrizio Curci</b>	Chief Executive Officer**
<b>Alberto Baldan</b>	Director*
<b>Stefania Chiaruttini</b>	Director*
<b>Gianpietro Corbari</b>	Director*
<b>Francesca Golfetto</b>	Director*
<b>Angelo Meregalli</b>	Director*
<b>Marina Natale</b>	Director***
<b>Elena Vasco</b>	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 MANAGEMENT COMMITTEE

**Stefania Chiaruttini**

**Francesca Golfetto**

**Angelo Meregalli**

## APPOINTMENTS AND REMUNERATION COMMITTEE

**Elena Vasco**

**Alberto Baldan**

**Marina Natale**

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## BOARD OF STATUTORY AUDITORS

<b>Riccardo Raul Bauer</b>	Chairperson
<b>Daniele Federico Monarca</b>	Standing Statutory Auditor
<b>Mariella Tagliabue</b>	Standing Statutory Auditor
<b>Daniele Beretta</b>	Substitute Statutory Auditor
<b>Marina Scandurra</b>	Substitute Statutory Auditor

## MANAGER RESPONSIBLE FOR PREPARING THE COMPANY ACCOUNTS, ITALIAN LAW 262/2005

**Marco Pacini**

## SUPERVISORY COMMITTEE, ITALIAN 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 2019.

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 23 April 2018 and its mandate expires at the Shareholders' Meeting to approve the Financial Statements at 31 December 2020.

## INDEPENDENT AUDITORS

**EY SpA**

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

# CONVOCAZIONE OF THE ORDINARY SHAREHOLDERS' MEETING



## **FIERA MILANO**

FIERA MILANO SpA

Registered office at Piazzale Carlo Magno 1, Milan

Operational and administrative offices at S.S. del Sempione 28, Rho (MI)

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

Milan Register of Companies,

Tax Code and VAT no. 13194800150

### CONVOCAZIONE OF THE ORDINARY SHAREHOLDERS' MEETING

The Ordinary Shareholders' Meeting of Fiera Milano SpA will be held on single call at the Auditorium in the Centro Servizi of the exhibition site, Strada Statale del Sempione 28, Rho (Milan) (reserved parking is available with entry from Porta Sud), on **18 April 2019 at 15:00 hours**, to discuss and to adopt related and ensuing resolutions on items of the following

#### AGENDA

1. Financial Statements at 31 December 2018, 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 2018 and the Consolidated Disclosure of Non-financial Information under Italian Legislative Decree no. 254/2016.
2. Report on Remuneration pursuant to Article 123-ter of Italian Legislative Decree 58/98.
3. Authorisation for the buyback 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 23 April 2018.

#### INFORMATION ON SHARE CAPITAL

The paid in 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 comprises 71,917,829 (seventy-one million nine hundred and seventeen thousand eight hundred and twenty-nine) shares with no nominal value. The shares are indivisible and carry one voting right each, except in the case of treasury shares held directly and indirectly which do not have this right. At today's date, the Company holds 939,018 treasury shares, equal to 1.31% of the share capital.

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## ADDITIONS TO THE AGENDA AND SUBMISSION OF NEW RESOLUTION PROPOSALS

Within ten days of publication of this notice and, in compliance with art. 126-*bis*, Italian Legislative Decree 58/98 (hereinafter the “**Consolidated Finance Act**”) and art. 10.3 of the Articles of Association, Shareholders who, individually or jointly, represent at least one-fortieth of the Company share capital can submit requests in writing to supplement the list of items for discussion, indicating in the request the additional topics proposed or further resolution proposals on matters already included in the agenda. Such requests, together with certification confirming the shareholding ownership, must reach the Company through the certified e-mail address [fieramilano@legalmail.it](mailto:fieramilano@legalmail.it) or the e-mail address [investor.relations@fieramilano.it](mailto:investor.relations@fieramilano.it) or by recorded delivery mail to the operational and administrative offices of the Company at S.S. del Sempione 28, Rho (MI) (Investor Relations Office). By this deadline and by the same means, a report must be sent to the Company’s Board of Directors containing the reasons for the additional resolution proposals submitted, or relating to further resolution proposals submitted on matters already included in the agenda. Requests for addition to the agenda are not permitted for topics which, by law, are reserved to the Shareholders’ Meeting on proposal from the Directors or based on a project or report prepared by them.

## LEGITIMATE ATTENDANCE AT THE SHAREHOLDERS’ MEETING

In accordance with law and with art. 12 of the Articles of Association, legitimate attendance at the Shareholders’ Meeting and the exercise of voting rights is certified by notification to the Company, by the authorised intermediary in compliance with its own accounting records, on behalf of the person entitled to vote, based on evidence recorded at close of business accounting on the seventh market trading day prior to the date set for the Shareholders’ Meeting (i.e. 9 April 2019, the “record date”). Credit and debit records completed in accounts after this deadline are not valid for the purpose of legitimising the right to vote at the Shareholders’ Meeting. Consequently, persons proving to hold Company shares only after that date will not be entitled to attend and vote at the Shareholders’ Meeting. The intermediary notification referred to above must reach the Company by close of business on the third market trading day prior to the date set for the Shareholders’ Meeting (i.e. 15 April 2019). It remains understood that legitimate attendance and voting is confirmed if the notification reaches the Company beyond the above deadline, but before the opening of the Shareholders’ Meeting. Note that the Company must be notified by the authorised intermediary, at the request of the rights holder.

No procedure for voting by mail or by electronic means is envisaged.

## REPRESENTATION AT THE SHAREHOLDERS’ MEETING

In accordance with law, every person with legitimate entitlement to attend the Shareholders’ Meeting can arrange representation, by written proxy, with the option for this purpose of using the proxy form issued by the authorised intermediaries on request from the rights holder or of using the form available on the Company website [www.fieramilano.it](http://www.fieramilano.it), in the section “*Investor Relations/Corporate Governance/Shareholders’ Meetings*”. The proxy form must be sent to the certified e-mail address [fieramilano@legalmail.it](mailto:fieramilano@legalmail.it) or the e-mail address [investor.relations@fieramilano.it](mailto:investor.relations@fieramilano.it) or sent by recorded delivery mail to the operational and administrative offices of the Company at S.S. del Sempione 28, Rho (MI) (Investor Relations Office). The proxy attending the Shareholders’ Meeting must in any event, under his own liability, confirm that the proxy form submitted and the identity of the person granting proxy are true to the original records.

Proxy can be granted, free of charge, with voting instructions, to Computershare S.p.A., appointed by the Company to act as Authorised Representative pursuant to art. 135-*undecies* of the Consolidated Finance Act, by signing the proxy form available from 14 March 2019 (i.e. the notice of convocation publication date) on the Company website [www.fieramilano.it](http://www.fieramilano.it) in the section “*Investor Relations/Corporate Governance/Shareholders’ Meetings*”, provided that the original reaches the registered office of Computershare S.p.A. at Via Lorenzo Mascheroni 19, 20145 Milan, if preferred with advance copy via fax to 02-46776850 or as an attachment to an e-mail sent to [ufficiomilano@pecserviziotitoli.it](mailto:ufficiomilano@pecserviziotitoli.it), by the end of the second market trading day prior to the date set for the Shareholders’ Meeting (i.e. 16 April 2019). Proxy granted in this manner is valid only for the proposals for which voting instructions have been provided. The proxy form and voting instructions can be cancelled by the same deadline referred to above (i.e. 16 April 2019).

### RIGHT TO SUBMIT QUESTIONS PRIOR TO THE SHAREHOLDERS' MEETING

Holders of voting rights can submit questions on items on the agenda even prior to the Shareholders' Meeting, in compliance with the provisions of art. 127-ter of the Consolidated Finance Act, sending the questions via e-mail to [investor.relations@fieramilano.it](mailto:investor.relations@fieramilano.it) or by recorded delivery mail to the operational and administrative offices of the Company (Investor Relations Office). Such questions must reach the Company by close of business on the third day before the date set for the Shareholders' Meeting (i.e. 15 April 2019). Replies to the questions will be provided by the Company at the latest during the Shareholders' Meeting, with the Company reserving the right to provide a single response to questions with the same contents.

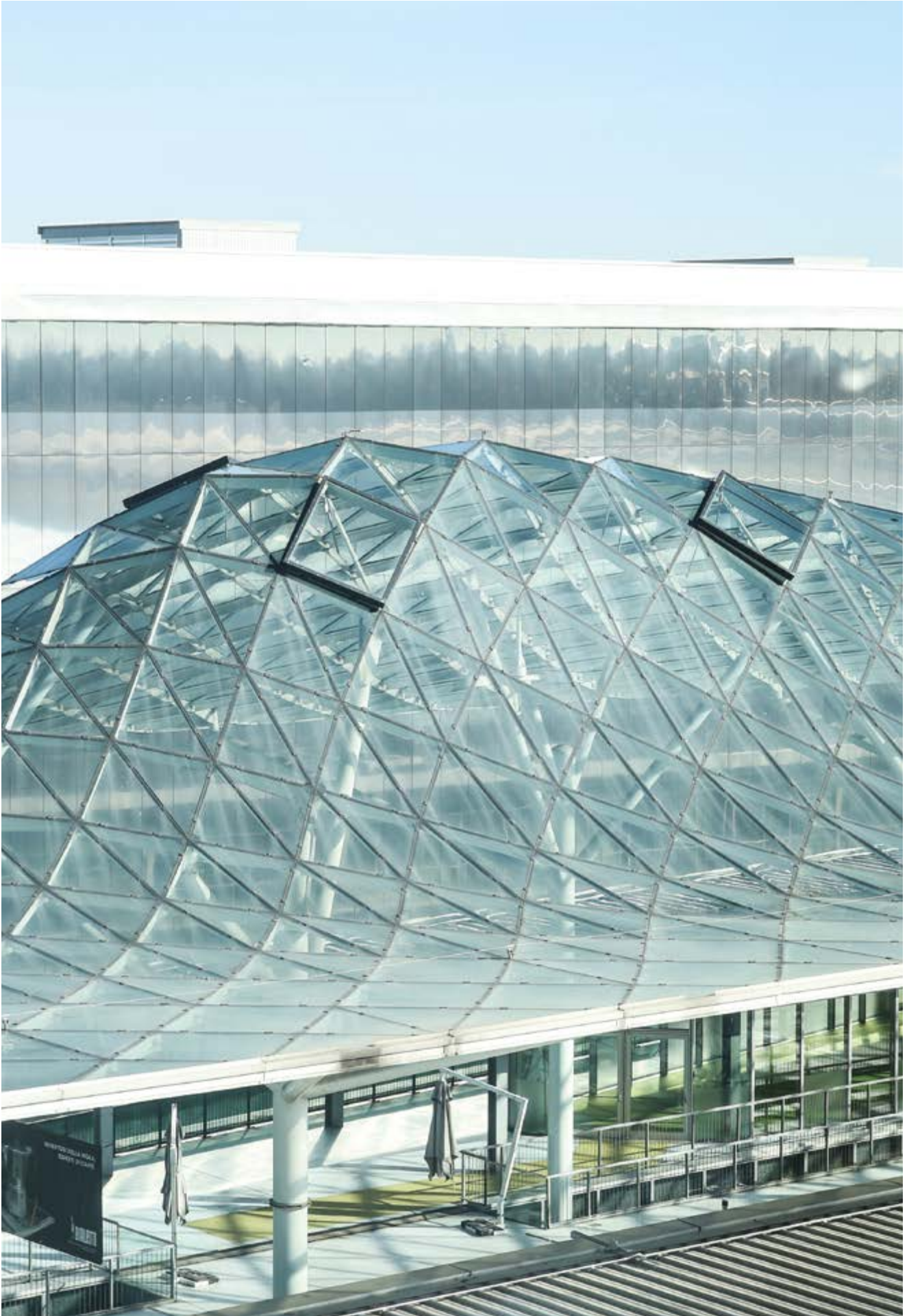
### DOCUMENTATION AND INFORMATION

The Board of Directors' reports and other documentation relating to items on the agenda, as envisaged by current regulations, will be made available to Shareholders and the public, by the legal deadlines, at the Company's registered office, the operational and administrative offices, S.S. del Sempione 28, Centro Servizi, Rho (MI), the reception offices, on the Company website [www.fieramilano.it](http://www.fieramilano.it) (in the section *Investor Relations/Corporate Governance/Shareholders' Meetings*) and on the authorised storage device [www.emarketstorage.com](http://www.emarketstorage.com). Shareholders have the right to obtain a copy of the aforementioned documentation.

Rho (Milan), 12 March 2019

**The Chairperson of the Board of Directors**

Lorenzo Caprio



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1998 and subsequent amendments)

# SUMMARY OF RESULTS AND SIGNIFICANT EVENTS DURING THE YEAR

2018 closed with a significantly better result than the previous years, despite a calendar of less favourable events, due to the overall positive performance of the exhibition market and to considerably improved operating efficiency.

The table below gives the key financial figures of the Group. When reading these figures, it should be remembered that the Group's 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 Consolidated Financial Statements give details and information on related-party transactions.

## FIERA MILANO GROUP

Summary of key figures (Amounts in € '000)	Full year 31/12/18	Full year 31/12/17 restated
Revenues from sales and services	247,217	256,348
EBITDA <sup>(a)</sup>	31,863	15,060
EBIT	25,075	5,372
Net profit/(loss) (continuing operations)	18,570	1,738
Net profit/(loss) (discontinued operations)	-	-
Net profit/(loss)	18,570	1,738
- Attributable to the shareholders of the controlling entity	18,848	1,637
- Attributable to non-controlling interests	(278)	101
Cash flow of the Group and non-controlling interests <sup>(b)</sup>	30,321	17,267
Net capital employed <sup>(c)</sup>	58,433	63,830
covered by:		
Equity attributable to the Group	82,034	62,471
Equity attributable to non-controlling interests	61	564
Net financial debt/(cash) continuing operations and assets held for sale	(23,662)	795
Investments (continuing operations and assets held for sale)	2,635	4,392
Employees (no. of permanent employees at year end)	696	693

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

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

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

Some figures for the year 2017 have been restated to reflect the application of the new standard IFRS 15 from 1 January 2018.

## NEW INITIATIVES AND MEASURES TO OPTIMISE THE EXHIBITION PORTFOLIO

With regard to foreign operations, we draw attention to the recent acquisitions made in collaboration with our German partner Deutsche Messe AG.:

- on 21 September 2018, through the incorporation of the NewCo Hannover Milano Best Exhibitions (Guangzhou) Co., Ltd., the LET China – Logistics Equipment & Technology exhibition which took place in Guangzhou and represents a benchmark for logistics and transport systems;
- on 20 September 2018, through the incorporation of NewCo Hannover Milano XZQ Exhibitions (Shenzhen) Co., Ltd., which will be finalised in March 2019, the LASERFAIR exhibition, which takes place in Shenzhen and is the most important trade fair in China in the laser technology industry.

## RATIONALISATION MEASURES ABROAD

On 31 July 2018, effective 1 August 2018, as part of the joint venture with our German partner Deutsche Messe AG., a Share Purchase Agreement was finalised for strategic reasons, which entailed the transfer of 50% of Global Fairs & Media Private Ltd from Hannover Milano Fairs India Private Ltd to the other partner, The Indian Express (P) Limited.

On 8 August 2018, Fiera Milano SpA, through its Brazilian subsidiary CIPA Fiera Milano Publicações e Eventos Ltda, acquired the remaining 50% of the biennial Tubotech, an international exhibition of technologies for the production and machining of industrial piping, valves and pumps.

## OTHER INFORMATION

On 19 February 2018, Fiera Milano SpA approved a Euro 800 thousand payment for a capital increase to strengthen the capital of the Brazilian subsidiary, Eurofairs International Consultoria e Participações Ltda.

On 20 April 2018, with provision no. 8450, Borsa Italiana SpA provided for the reallocation of the STAR qualification (High performance equities segment) to the ordinary shares of Fiera Milano SpA, as well as their trading in said segment of the Italian Stock Exchange (Mercato Telematico Azionario -MTA). Trading in the STAR segment started on 30 April 2018.

On 23 April 2018, the Ordinary Shareholders' Meeting of the Parent Company approved the financial statements as at 31 December 2017 and resolved to cover the loss for the year of Euro 863,987.03 by using the share premium reserve. It also appointed the Board of Statutory Auditors for 2018-2020 and established their fees, as well as approving the First Section of the Report on Remuneration proposed pursuant to article 123-ter of Legislative Decree 58/98. Lastly, the same Shareholders' Meeting approved the Performance Share Plan for 2018-2019 pursuant to article 114-bis of Legislative Decree 58/98, and authorised the purchase and disposal of treasury shares by the Board of Directors.

On 17 May 2018, Euro 547 thousand was paid for a share capital increase of La Fabbrica del Libro SpA in order to bring its equity back to the level of its initial share capital.

On 23 May 2018, Fiera Milano SpA presented the strategic lines and the economic-financial objectives of the Group Plan for 2018-2022.

On 4 December 2018, the governance agreement regarding MiCo DMC Srl with the partner AIM Group International SpA was amended, establishing a greater degree of collaboration for business management decisions. In application of IFRS 11, these agreements qualify the company as a joint venture, which entails calculating the value of the shareholding with the equity method instead of line-by-line consolidation.

On 6 December 2018, the deed of merger by incorporation of the wholly-owned subsidiary company Ipack-Ima SpA into the controlling entity Fiera Milano SpA was signed, which became legally effective from 14 December 2018. The signature of this deed follows the resolution of the Board of Directors of Fiera Milano SpA and of the Shareholders' Meeting of Ipack-Ima SpA dated 28 September 2018. The decision to merge was taken by the Board of Directors pursuant to the combined provisions set forth in articles 2502 and 2505 of the Italian Civil Code and in accordance with article 17.1 of the articles of association. The merger did not entail any exchange of shares, as the incorporated company was already wholly-owned by Fiera Milano SpA.

# MACROECONOMIC AND REFERENCE SECTOR BACKGROUND

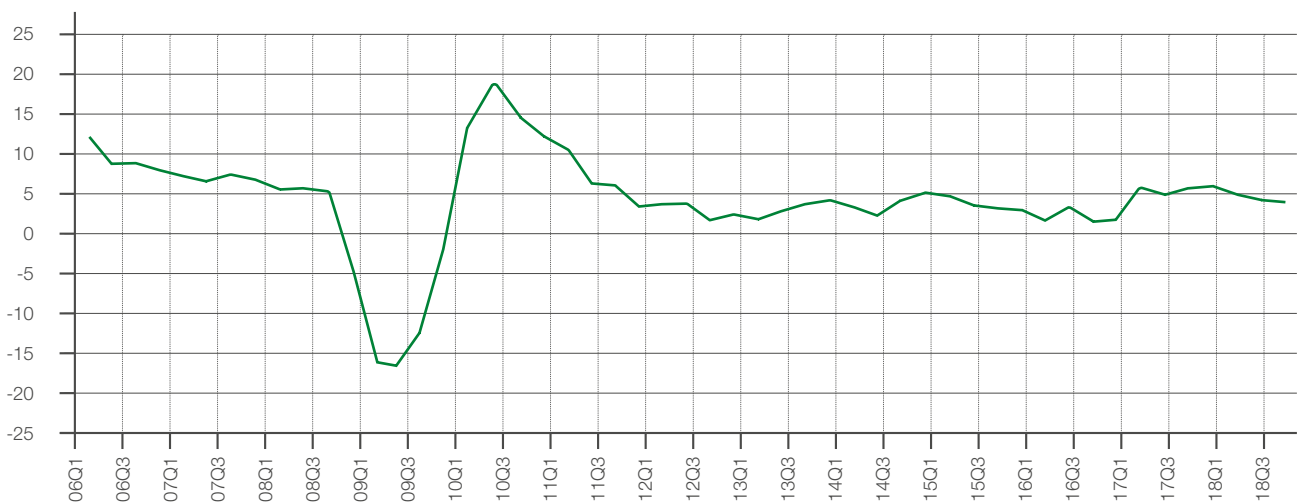
## MACROECONOMIC TRENDS

The economic and financial prospects for 2019 are conditioned by uncertainties linked to global economic and political factors, which make the scenario unstable. Forecasts are influenced by difficulties relating to factors such as Brexit, fears linked to protectionist measures of large economies, by the vulnerability of emerging markets and by financial market volatility.

Estimates for world GDP growth envisage +3.5% in 2019 and +3.6% in 2020. The advanced economies, as a whole, are expected to grow less than in the past: from +2.3% in 2018, to +2% envisaged for 2019 and +1.7% for 2020. China is expected to slow down slightly, with +6.2% in 2019, after the +6.6% recorded in 2018. In the United States, overall performance continues to be positive, although slowing down slightly (+2.5% in 2019), although the impact of the long shutdown and of the general situation of the world economy on the labour market has not been confirmed yet<sup>1</sup>.

In 2018, the growth of the economy in the Eurozone slowed down. A moderate uptrend of around +1.6% is envisaged in 2019. The slowdown of the German market had a significant impact on the economic performance of the Eurozone, due above all to the new standards for CO2 emissions of cars, a key sector for German industry<sup>2</sup>. The continental scenario is conditioned by the end of the favourable cycle of the world economy, by the customs duties war between China and the United States and by uncertainties relating to developments of domestic political situations and their consequences at European level.

## WORLD TRADE ANNUAL % CHANGE



<sup>1</sup> IMF, January 2019.

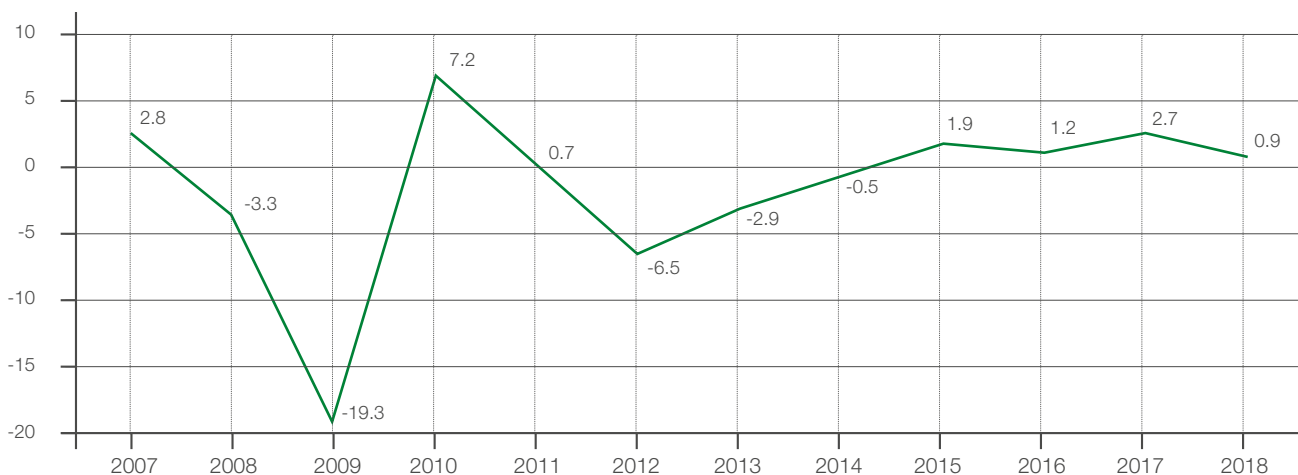
<sup>2</sup> Eurozone economic outlook, January 2019.

With regard to world trade, in 2018, trading in manufactured goods was estimated to be 4.5% higher, less than the rate recorded in 2017 (4.8%), but in any event in line with recent years (average of 4.4% between 2012 and 2017). Also estimates for the two-year period 2019/2020 are relatively positive, with growth exceeding 4% in 2019 and a recovery of 4.7% in 2020. The slowdown in world trade will mainly depend on weaker US demand, given the end of the period of expansionary fiscal policy, which had upheld consumption and investment in 2018. The rate of demand of the emerging markets is instead expected to increase in 2019, due above all to the Asian markets, as well as Latin America and Sub-Saharan Africa.

With regard to Italy, GDP is expected to slow down to around +0.6% in 2019 and +0.9% in 2020. Overall, the conditions for growth have weakened: weaker exports, a slowdown in consumption and a less favourable trend for borrowing, due to a higher spread. In 2018, industrial production recorded a moderate increase year-on-year only for consumer goods, while decreases were recorded for intermediate goods, energy and to a lesser extent, capital goods.

Even though monetary conditions continue to be favourable, in the three-year period 2019-2021, investments will suffer from higher lending costs and the less favourable prospects for international trade, as well as a remodulation of tax incentives compared to the past three years. Construction spending has risen slightly, sustained by the slow improvement of the property market<sup>3</sup>.

## MANUFACTURING ACTIVITY - PERCENTAGE CHANGE COMPARED TO THE PREVIOUS FINANCIAL YEAR



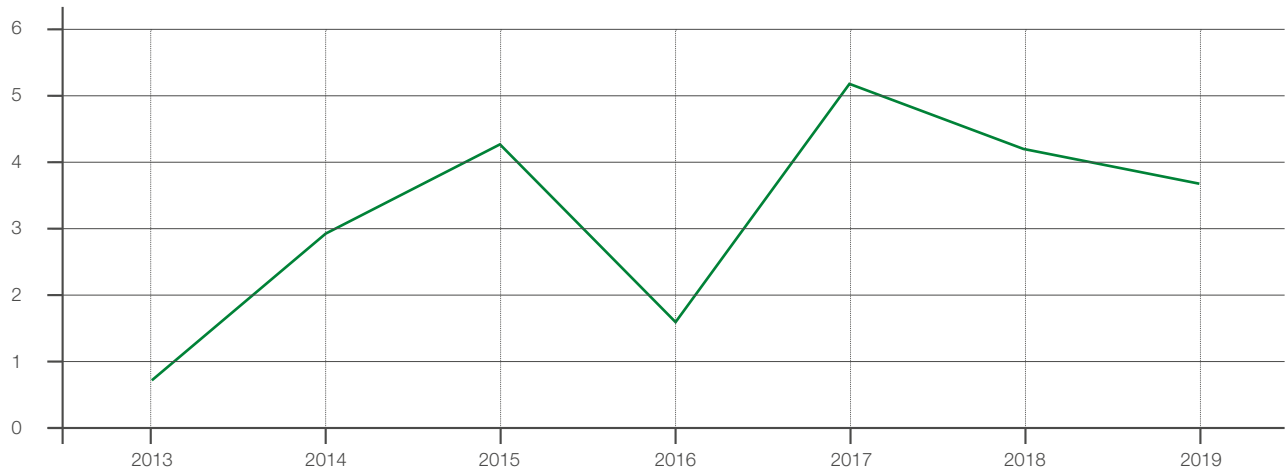
Source: ISTAT, monthly industrial production figures, preliminary figure for 2018

With regard to Italian exports, in 2019, foreign demand is expected to rise just above 3% and around 3.5% on average in each of the following two years, showing modest growth after the standstill recorded in 2018. Considering the specialist sectors of 'Made in Italy', consumer goods segments are showing a slightly better trend. The demand for food products is expected to accelerate to 3.8% in 2020, also because this sector is less international than others. The trend envisaged for the fashion and furniture sector, after a modest 2019, is expected to benefit in 2020 from a recovery of international demand of 4.4% for the fashion industry and 3.8% for the furniture one. Better prospects are envisaged for the mechanical engineering sector, which has always played an increasingly key role in transmitting innovation to the other segments of the domestic economy. The technological upgrading should continue in synergy with the traditional flexibility and ability to customise that characterises Italian enterprise<sup>4</sup>.

<sup>3</sup> Bank of Italy, January 2019.

<sup>4</sup> Prometeia and ICE, October 2018.

### PERCENTAGE CHANGE IN EXPORTS OF GOODS AND SERVICES



Source: Centro Studi Confindustria, December 2018

The Chinese market is becoming increasingly important to Italian enterprise. Just in the last decade, the value of 'Made in Italy' products exported to Peking more than doubled: it rose from Euro 6.3 billion in 2007 to Euro 13.5 billion last year. China is currently in eighth position in the ranking of the destination countries for Italian exports. China represented one of the main drivers of Italian goods exports in 2017 (+22.2% against 2016), with particularly positive trends in investment asset sectors (tooling and means of transport). In the textile and clothing industries, as well as footwear, knitwear apparel and accessories were particularly appreciated. The most highly requested consumer goods are leather hides and skins; 'Made in Italy' furniture continues to appeal, especially wooden products. Lastly, there is no lack of opportunities for companies that operates in the food and beverage sectors, especially exporters of pasta and wine<sup>5</sup>.

Despite some barriers in terms of accessing the Chinese market (duties and other), it is worth making the additional efforts given the prospects and size of this country.

### THE EXHIBITION SECTOR

The exhibition market continues to be fragmented as a whole, although a shift towards consolidation was noted between 2017 and 2018, also following some large-scale M&A transactions, which have changed the international panorama and the ranking of the major players in the industry. In 2018, UBM and Informa, two exhibition organisers which over the years have been very active in acquiring other organisers and exhibitions, were the key players in a transaction that saw Informa acquire UBM for USD 5.2 billion. This meant that Informa became the largest exhibition organiser in the world in terms of turnover, overtaking Reed Exhibitions, which has been firmly placed at the top of the ranking for many years. Not only did 2018 see the conclusion of a deal for the highest figure, it also saw the completion of the highest number of transactions (87) by 53 different buyers, another record. Over the years, the type of buyer has changed, as Private Equity Funds have entered the scenario, attracted by a market that continues to grow at global level, represented by high added-value B2B services and characterised by high cash flows.

Preliminary 2018 data paint a positive picture for the sector in Italy: CFI (Comitato Fiere Industria, the exhibition division of Confindustria) reported a strong recovery back in 2017. Exhibition sites have risen by 3.8% against previous editions, while exhibitors have risen by 2.5%, due above all to the increase in foreign exhibitors (+6%). The trend of visitors, which usually anticipates market changes in the following years, was very positive and recorded a double-figure increase: total visitors rose by 13.8% and foreign ones by 20%. The reasons behind this phenomenon lie in the attractiveness of the Italian exhibition market for products in its strongest sectors (Furniture, Food, Engineering and Clothing-Fashion) and in business policy measures to promote exports (Extraordinary Plan for 'Made in Italy') extended to 2018.

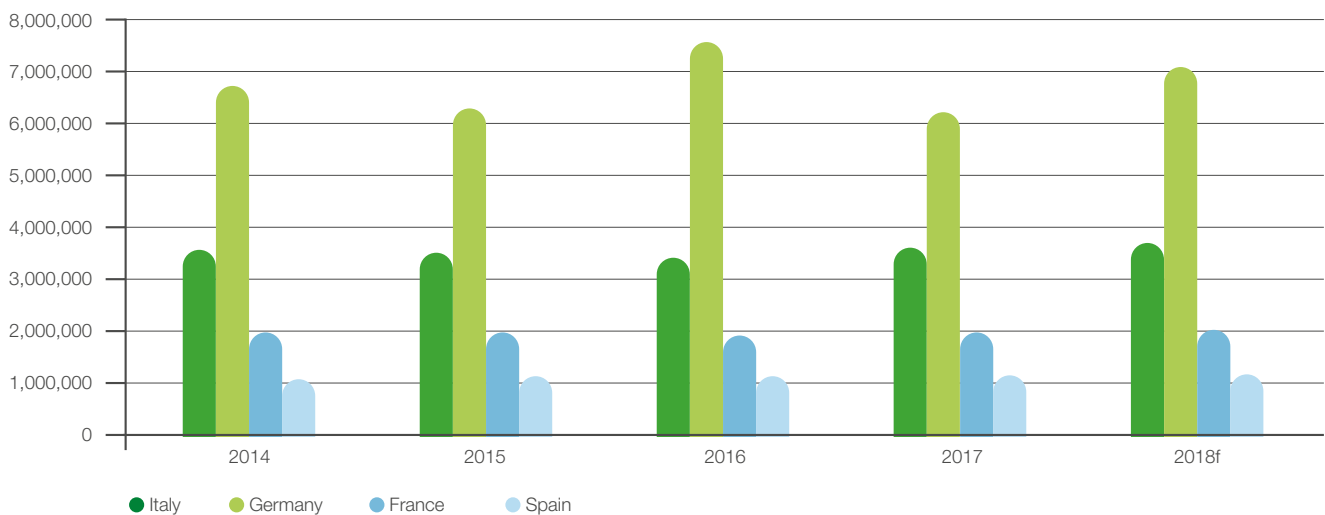
<sup>5</sup> Sace, education to export.

Like all even years, 2018 was a positive year for Germany, which recorded a recovery after the decrease suffered in 2017, but did not reach the peak surface area figure of 2016, the year in which biennial and large three- and four-yearly exhibitions took place. As in Italy, also in Germany foreign presence rose more than the figure for domestic visitors and exhibitors: compared to previous editions, total exhibitors rose by 1.5%, but foreigners recorded +3% rise; foreign visitors recorded the same increase, while the total number of visitors was substantially stable (-0.5%).

2017 marked the recovery of the French market after the fall also caused by fears linked to the terrorist attacks in 2015 and 2016. 2018 showed a market that operated at two speeds: the international B2B exhibitions recorded an uptrend; on the contrary, trade fairs, still present in France, are suffering considerably and looking for a new identity, on a par with other exhibitions that were once leaders and are now victims of the process of change in their sectors, such as the Paris Car Show.

Spain also recorded weak signs of recovery, but continues to lag behind the other countries considered.

### SQUARE METRES RENTED OUT AT INTERNATIONAL EXHIBITIONS



Source: Studi e Strategie Fondazione Fiera Milano using CERMES, AUMA, AMR, AFE, and OJS data. 2018 figures are estimates.

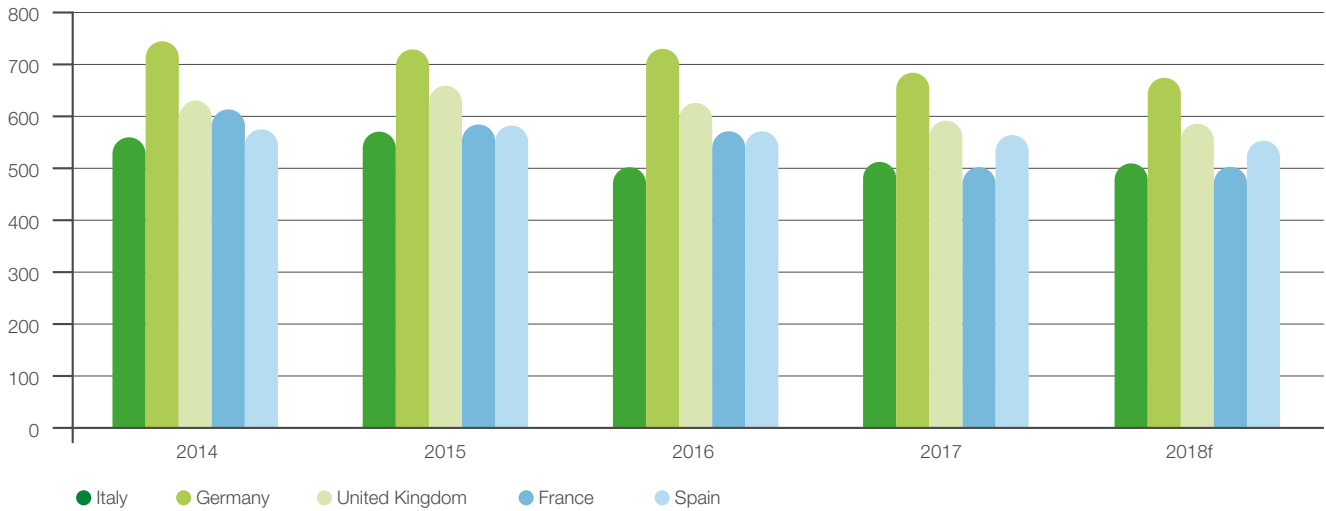
### THE CONGRESS SECTOR

The congress sector is in a dynamic and tumultuous phase: new sectors are being created from the integration of technology and other segments (for example fintech), while in parallel the need to meet and discuss face-to-face is being developed; new meeting formats are emerging that no longer reflect the traditional distinction between association events and corporate events but have blurred boundaries and are more hybrid in nature; large international association congresses, organised worldwide, are creating smaller events, both in geographical terms, as restricted to a single continent, and in business terms, as they focus on a certain product niche.

These changes make it difficult to assess the true size of the market: organisations like ICCA (International Congress and Convention Association) that, over the years, have monitored congresses using stringent<sup>6</sup> criteria now only give a picture of part of the sector, despite their highly reputable data. Published data shows that in 2017 (the most recent year for which final figures are available) there was a decrease in the number of congresses in almost all the countries surveyed, this was particularly marked in France probably due to the above-mentioned fears about security, which had a negative impact on international numbers, the driving force of the congresses promoted by ICCA. On the other hand, in 2017 Italy recorded an increase, after the fall suffered in 2016, which benefitted from the contribution of many cities where the number of congresses rose, often by a significant number. The final figures for 2018 are not yet available, but based on the preliminary data available, the figures for this type of event are expected to stabilise.

<sup>6</sup> Association congresses organised regularly, with at least 50 participants, which travel to at least 3 countries.

NUMBER OF ITINERANT INTERNATIONAL CONGRESSES - ICCA



Source: Studi e Strategie Fondazione Fiera Milano using ICCA data. 2018 figures are estimates.

The Report of 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 provides a more detailed picture of the Italian situation: 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 2017, approximately 400 thousand events were held in Italy (+2.9% against 2016) in which 29 million people took part (+3.2%); the average duration of these events was 1.4 days. Historical analysis shows an overall positive trend, both in terms of the number of events, which has started to rise again after the slight fall recorded in 2016, and in terms of the number of days, which has recorded a constant rise as a whole at domestic level. Instead, in 2017, the average number of attendees per event, which was 73, is stable.

Events sponsored by companies continue to rise and now represent 64.6% of events (56.5% in 2016 and 55.4% in 2015) and 55.1% of attendees (48.9% in 2016 and 47% in 2015). On the other hand, the other two types of events are paying the price of the above: the percentage weight of association congresses continues to fall, representing 25.5% of events in 2017 (31.6% in 2016 and 34.8% in 2015) and 30.8% of attendees (36.3% in 2016 and 41.7% in 2015); events sponsored by government, political, trade union and social entities and institutions represent a small percentage of the market (9.9% of events, 14.1% of attendees, with both indicators down against 2016). The majority of events were held in Northern Italy (56.7%) and the attendees at these events were 58.6% of the domestic total. Congress centres hosted the highest average number of events (150) among the various locations. In Congress centres, association events still represent 50% of the total number of events, but their weighting continues to fall in terms of attendees, corresponding to 34.7% in 2017 (against 46.9% in 2016 and 51.8% in 2015); the percentage of attendees of corporate events, corresponding to 49.8% of total attendees, rose (against 38.2% in 2016 and 34.6% in 2015).



## THE OUTLOOK

Surveys of the opinions of those in the sector are positive. According to the report published by UFI<sup>7</sup> (the Global Association of the Exhibition Industry), prospects for 2019 are generally positive, especially in the second half of the year. While in the first half of the year in Europe, the Middle East and the Americas, the percentage of those expecting higher turnover is lower, a recovery in the second half of 2019 is envisaged. Domestic economic conditions continue to be the main reason behind the concerns of exhibition players (25% of responses), followed by the global economic scenario (20% of responses, but in Europe the percentage rises to 23%), competition within the sector (19%) and challenges within the company (15%), above all relating to human resource management. The impact of digitalisation is cited by 9% at global level, but in the Americas and in Europe the percentage rises to 12%: digitalisation is seen above all as being able to meet the digital needs of customers, although aspects relating to new digital products and the management of internal processes are also cited.

Surveys<sup>8</sup> of leaders in the meetings and events sector regarding future trends reveal a positive picture: 66% expect an improvement in business conditions; 59% of those interviewed believe that attendance at live events will increase as well as that at virtual events (55% of those interviewed). In addition, in Europe, the number of meetings and events is expected to increase by 1.5% in 2019.

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<sup>7</sup> Global Exhibition Barometer, UFI, January 2019.

<sup>8</sup> Ibtm Trends Watch Report, 2018; CWT Meeting and Events Future Trends, 2019; MPI Meetings Outlook, 2019 Winter Edition; American Express Global Meetings and Events Forecasts, 2019.

# ECONOMIC AND FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2018

## ECONOMIC PERFORMANCE

The table below shows the Consolidated Income Statement.

CONSOLIDATED INCOME STATEMENT (Amounts in €'000)	2018		2017 restated	
		%		%
<b>Revenues from sales and services</b>	<b>247,217</b>	<b>100</b>	<b>256,348</b>	<b>100</b>
Cost of materials	2,410	1.0	3,228	1.3
Cost of services	114,052	46.1	133,300	52.0
Costs for use of third party assets	50,343	20.4	49,868	19.5
Personnel expenses	47,037	19.0	48,860	19.1
Other operating expenses	4,525	1.8	5,398	2.1
<b>Total operating costs</b>	<b>218,367</b>	<b>88.3</b>	<b>240,654</b>	<b>93.9</b>
Other income	2,806	1.1	2,604	1.0
Results of equity-accounted companies	5,170	2.1	2,603	1.0
Allowance for doubtful accounts and other provisions	4,963	2.0	5,841	2.3
<b>EBITDA</b>	<b>31,863</b>	<b>12.9</b>	<b>15,060</b>	<b>5.9</b>
Depreciation and amortisation	5,871	2.4	6,834	2.7
Adjustments to asset values	917	0.4	2,854	1.1
<b>EBIT</b>	<b>25,075</b>	<b>10.1</b>	<b>5,372</b>	<b>2.1</b>
Financial income/(expenses)	(123)	-0.0	(774)	-0.3
Valuation of financial assets	(29)	-0.0	-	-
<b>Profit/(loss) before income tax</b>	<b>24,923</b>	<b>10.1</b>	<b>4,598</b>	<b>1.8</b>
Income tax	6,353	2.6	2,860	1.1
<b>Profit/(loss) from continuing operations</b>	<b>18,570</b>	<b>7.5</b>	<b>1,738</b>	<b>0.7</b>
<b>Profit/(loss) from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit/(loss):</b>	<b>18,570</b>	<b>7.5</b>	<b>1,738</b>	<b>0.7</b>
<b>- attributable to the shareholders of the controlling entity</b>	<b>18,848</b>	<b>7.6</b>	<b>1,637</b>	<b>0.6</b>
<b>- attributable to non-controlling interests</b>	<b>(278)</b>	<b>-0.1</b>	<b>101</b>	<b>0.0</b>
<b>Cash flow for the Group and non-controlling interests</b>	<b>30,321</b>	<b>12.3</b>	<b>17,267</b>	<b>6.7</b>

Some figures for the year 2017 have been restated to reflect the application of the new standard IFRS 15 from 1 January 2018.

**Revenues from sales and services** were Euro 247,217 thousand, a decrease of Euro 9,131 thousand compared to the figure of Euro 256,348 thousand in the 2017 financial year. The lower revenues were mainly due to the less favourable exhibition calendar, which last year had included the biennial exhibitions directly organised by Host and Tuttofood. This impact was partly offset by the presence of The Innovation Alliance, created from the union of five multi-annual exhibitions: Plast (event for the plastics and rubber industry), Ipack-Ima (benchmark event for processing and packaging technologies), Meat-Tech (processing and packaging for the meat industry), Print4All (format dedicated to the world of commercial and industrial printing) and Intralogistica Italia (exhibition dedicated to solutions and systems for industrial handling, warehouse management, storage and picking). Furthermore, annual exhibitions recorded good performance.

**EBITDA** was Euro 31,863 thousand compared to Euro 15,060 thousand in 2017, an increase of Euro 16,803 thousand.

The increase reflects the positive impact of cost-cutting measures, as well as the good performance of exhibitions and congresses in a year characterised by a less favourable calendar of events.

**EBIT** was Euro 25,075 thousand compared to Euro 5,372 thousand in 2017, marking an increase of Euro 19,703 thousand. The increase reflected the trend in EBITDA and the effects of lower depreciation and amortisation and impairment losses. Impairment losses regarded "Food & Beverage" publications, Euro 450 thousand and "Technology" publications, Euro 467 thousand. The 2017 figure included impairment losses of Euro 2,768 thousand for trademarks.

**Net financial expenses** were Euro 123 thousand compared to net expenses of Euro 774 thousand in 2017. The change was mainly due to the decrease in financial expenses in relation to the reduction in average debt both in the short term and in the medium/long term.

The **Pre-tax profit** was Euro 24,923 thousand compared to Euro 4,598 thousand in 2017.

The **Net profit** at 31 December 2018 was Euro 18,570 thousand compared to a net profit of Euro 1,738 thousand in 2017. The result includes a higher tax charge, mainly due to an increase in current taxes.

The relevant Explanatory and Supplementary Notes to the accounts provide further details on taxes.

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

- Euro 18,848 thousand **to the Shareholders of the controlling entity;**
- Euro -278 thousand **to non-controlling interests.**

Lastly, the Total **Cash flow** (the net result plus depreciations and amortisation and impairment charges) was Euro 30,321 thousand compared to Euro 17,267 thousand in the previous financial year.

## EQUITY AND FINANCIAL PERFORMANCE

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

<b>RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b> <small>(Amounts in €'000)</small>	<b>31/12/18</b>	<b>31/12/17</b>
Goodwill	94,127	94,216
Intangible assets with a finite useful life	10,791	12,493
Tangible fixed assets	10,812	13,765
Other non-current assets	32,647	31,063
<b>A Non-current assets</b>	<b>148,377</b>	<b>151,537</b>
Inventory and contracts in progress	3,481	3,485
Trade and other receivables	45,136	46,277
Other assets	-	-
<b>B Current assets</b>	<b>48,617</b>	<b>49,762</b>
Trade payables	38,548	48,437
Payments received on account	49,659	43,057
Tax liabilities	2,229	2,010
Provisions for risks and charges and other current liabilities	31,258	30,527
<b>C Current liabilities</b>	<b>121,694</b>	<b>124,031</b>
<b>D Net working capital (B - C)</b>	<b>(73,077)</b>	<b>(74,269)</b>
<b>E Gross capital employed (A + D)</b>	<b>75,300</b>	<b>77,268</b>
Employee benefit provisions	8,958	9,379
Provisions for risks and charges and other non-current liabilities	7,909	4,059
<b>F Non-current liabilities</b>	<b>16,867</b>	<b>13,438</b>
<b>G NET CAPITAL EMPLOYED continuing operations (E - F)</b>	<b>58,433</b>	<b>63,830</b>
<b>H NET CAPITAL EMPLOYED assets held for sale</b>	<b>-</b>	<b>-</b>
<b>TOTAL NET CAPITAL EMPLOYED (G + H)</b>	<b>58,433</b>	<b>63,830</b>
covered by:		
Equity attributable to the Group	82,034	62,471
Equity attributable to non-controlling interests	61	564
<b>I Total equity</b>	<b>82,095</b>	<b>63,035</b>
Cash & cash equivalents	(28,409)	(17,922)
Current financial (assets)/liabilities	4,797	15,172
Non-current financial (assets)/liabilities	(50)	3,545
<b>Net financial position continuing operations</b>	<b>(23,662)</b>	<b>795</b>
<b>Net financial position assets held for sale</b>	<b>-</b>	<b>-</b>
<b>L Net financial position (TOTAL)</b>	<b>(23,662)</b>	<b>795</b>
<b>EQUITY AND NET FINANCIAL POSITION (I + L)</b>	<b>58,433</b>	<b>63,830</b>

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

**Total net capital employed** was Euro 58,433 thousand at 31 December 2018, a decrease of Euro 5,397 thousand compared to the figure at 31 December 2017 (Euro 63,830 thousand).

**Non-current assets** were Euro 148,377 thousand at 31 December 2018 compared to Euro 151,537 thousand at 31 December 2017. The decrease was mainly due to a decrease in intangible assets following amortisation, impairment losses on publications of Fiera Milano Media SpA, and the use of deferred tax assets and exchange rate differences. The impact was partly offset by the increase of the shareholding in the joint venture Ipack Ima Srl, valued using the equity method.

**Net working capital**, the balance of current assets and current liabilities, went from a negative figure of Euro 74,269 thousand at 31 December 2017 to a negative figure of Euro 73,077 thousand at 31 December 2018. The change mainly reflected a decrease in trade payables and in payables to exhibition organisers caused by the different exhibition calendar; this was partly offset by the decrease of trade receivables and by the 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.

As regards the **Net financial position**, the Group had net financial resources of Euro 23,662 thousand at 31 December 2018 compared to indebtedness of Euro 795 thousand at 31 December 2017. The improvement in net indebtedness was due to the generation of operating cash flows.

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 2018		Full year 2017	
	Equity	Profit/(loss)	Equity	Profit/(loss)
<b>PARENT COMPANY EQUITY AND PROFIT/(LOSS)</b>	<b>75,277</b>	<b>16,561</b>	<b>59,571</b>	<b>(864)</b>
Equity and profit/(loss) of consolidated companies	41,013	2,871	45,632	(7,405)
Intragroup dividends	-	(2,755)	-	-
Elimination of carrying value of consolidated investments	(102,452)	-	(108,421)	-
Goodwill arising from acquisitions	11,156	-	11,156	-
Write-down of investments, net of tax effect	55,593	1,996	53,597	9,698
Elimination of write-downs of intergroup loans and financing	734	-	734	469
Elimination of intragroup margins	724	9	715	(160)
Minor consolidation adjustments, net of tax effect	50	(112)	51	-
<b>TOTAL EQUITY</b>	<b>82,095</b>	<b>18,570</b>	<b>63,035</b>	<b>1,738</b>
of which attributable to non-controlling interests	61	(278)	564	101
<b>GROUP EQUITY AND PROFIT/(LOSS)</b>	<b>82,034</b>	<b>18,848</b>	<b>62,471</b>	<b>1,637</b>

## INVESTMENTS

In the financial year to 31 December 2018, investments totalled Euro 2,635 thousand and the breakdown was as follows:

INVESTMENTS (€'000)	Full year to 31/12/18	Full year to 31/12/17
Intangible fixed assets	1,368	500
Tangible fixed assets	1,267	3,892
<b>Total investments in non-current assets</b>	<b>2,635</b>	<b>4,392</b>

**Investments in intangible fixed assets** totalled Euro 1,368 thousand and related mainly to the Parent Company investments in the implementation of digital projects and the acquisition of software and licenses (Euro 935 thousand).

**Investments in tangible fixed assets** totalled Euro 1,267 thousand and mainly regarded:

- Euro 654 thousand of purchases of furniture and goods to be hired out at exhibitions;
- Euro 393 thousand for plant and equipment, electronic machinery, and improvements made to the Rho exhibition site.

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)

	2018		2017 restated	
<b>Revenues from sales and services</b>				
- <b>By operating segment:</b>		%		%
. Italian Exhibitions Business	200,333	77.8	206,443	76.9
. Foreign Exhibitions Business	7,844	3.1	5,096	1.9
. Media	11,262	4.4	10,841	4.0
. Congresses	37,708	14.7	46,160	17.2
<b>Total revenues gross of adjustments for inter-segment transactions</b>	<b>257,147</b>	<b>100.0</b>	<b>268,540</b>	<b>100.0</b>
. Adjustments for inter-segment transactions	(9,930)		(12,192)	
<b>Total revenues net of adjustments for inter-segment transactions</b>	<b>247,217</b>		<b>256,348</b>	
- <b>By geographic area:</b>				
. Italy	239,373	96.8	251,252	98.0
. Foreign countries	7,844	3.2	5,096	2.0
<b>Total</b>	<b>247,217</b>	<b>100.0</b>	<b>256,348</b>	<b>100.0</b>
<b>EBITDA</b>		%		%
- <b>By operating segment:</b>		on revenues		on revenues
. Italian Exhibitions Business	23,785	11.9	11,549	5.6
. Foreign Exhibitions Business	3,699	47.2	80	1.6
. Media	551	4.9	409	3.8
. Congresses	3,828	10.2	3,022	6.5
. Adjustments			-	
<b>Total</b>	<b>31,863</b>	<b>12.9</b>	<b>15,060</b>	<b>5.9</b>
- <b>By geographic area:</b>				
. Italy	28,164	11.8	15,030	6.0
. Foreign countries	3,699	47.2	30	0.6
<b>Total</b>	<b>31,863</b>	<b>12.9</b>	<b>15,060</b>	<b>5.9</b>
<b>EBIT</b>		%		%
- <b>By operating segment:</b>		on revenues		on revenues
. Italian Exhibitions Business	19,996	10.0	5,339	2.6
. Foreign Exhibitions Business	3,303	42.1	(436)	-8.6
. Media	(618)	-5.5	(1,196)	-11.0
. Congresses	2,457	6.5	1,726	3.7
. Adjustments	(63)		(61)	
<b>Total</b>	<b>25,075</b>	<b>10.1</b>	<b>5,372</b>	<b>2.1</b>
- <b>By geographic area:</b>				
. Italy	21,835	9.1	5,858	2.3
. Foreign countries	3,240	41.3	(486)	-9.5
<b>Total</b>	<b>25,075</b>	<b>10.1</b>	<b>5,372</b>	<b>2.1</b>
<b>Employees</b>				
(no. of permanent employees at the end of the period)				
- <b>By operating segment:</b>		%		%
. Italian Exhibitions Business	493	70.8	484	69.9
. Foreign Exhibitions Business	97	13.9	100	14.4
. Media	52	7.5	59	8.5
. Congresses	54	7.8	50	7.2
<b>Total</b>	<b>696</b>	<b>100.0</b>	<b>693</b>	<b>100.0</b>
- <b>By geographic area:</b>				
. Italy	599	86.1	593	85.6
. Foreign countries	97	13.9	100	14.4
<b>Total</b>	<b>696</b>	<b>100.0</b>	<b>693</b>	<b>100.0</b>

Some figures for the year 2017 have been restated to reflect the application of the new standard IFRS 15 from 1 January 2018.

The new strategic direction and the process of reorganising the Group, with a view to greater integration of sales and operating processes, has entailed changing the internal organisation structure and the performance measurement system. More specifically, according to the management approach criterion the "Italian Exhibitions Business" operating segment has been established, which encompasses all of the activities relating to exhibitions held in the Exhibition Sites of **fieramilano - fieramilanocity** and the activities related to stand-fitting services. Overall, the following operating segments have been established: **Italian Exhibitions Business, Foreign Exhibitions Business, Media and Congresses.**

**Revenues from sales and services**, before eliminations for inter-segment transactions, were Euro 257,147 thousand in the financial year to 31 December 2018, of which 78% was generated by Italian Exhibition Business, 3% by Foreign Exhibition Activities, 4% by the Media segment and 15% by the Congress segment.

- Revenues from **Italian Exhibitions Business** were Euro 200,333 thousand, a decrease of approximately 3% on the figure for 2017 (Euro 206,443 thousand). The decrease in revenues was mainly due to the less favourable exhibition calendar which last year had included the directly organised biennial exhibitions held in odd-numbered years Host, Tuttofood, and Sicurezza, as well as the hosted biennial exhibition held in odd-numbered years, Made Expo. This impact was partly offset by the presence in the current year of The Innovation Alliance, created from the union of five multi-annual exhibitions (Plast, Ipack-Ima, Meat-Tech, Pint4All and Intralogistica Italia) dedicated to solutions for the manufacturing industry. The good performance of multi-annual exhibitions also contributed to revenues.
- Revenues from **Foreign Exhibitions Business** were Euro 7,844 thousand, an increase of approximately 2,748 thousand on the figure for the previous year (Euro 5,096 thousand). The increase in revenues is mainly due to the more favourable exhibition calendar in Brazil with the presence of the biennial exhibition Fisp, held in even-numbered years.
- Revenues from **Media** were Euro 11,262 thousand, approximately 4% higher than in the previous financial year (Euro 10,841 thousand). The change is mainly due to revenues from billboard advertising for the biennial exhibition held in even-numbered years Mostra Convegno Expocomfort, to higher revenues from sponsorships and to digital services provided to organisers.
- Revenues from **Congresses** were Euro 37,708 thousand, a decrease of Euro 8,452 thousand compared to the figure of the previous financial year (Euro 46,160 thousand). The change is mainly due to the absence of the international ERS congress. This impact was partially offset by the OSCE (Organization for Security and Co-operation in Europe) congress, the largest regional security organisation in the world.

**EBITDA** was Euro 31,863 thousand, an increase of Euro 16,803 thousand compared to the previous financial year; the breakdown by operating segment was as follows:

- **Italian Exhibitions Business:** recorded EBITDA of Euro 23,785 thousand compared to Euro 11,549 thousand in the financial year to 31 December 2017. The increase is due to the positive impact of lower costs following rationalisation measures launched in 2017, to the good performance of annual exhibitions (Salone del Mobile -Furniture Exhibition- and Bit) as well as the result of the Italian joint venture Ipack Ima recognised with the equity method.
- **Foreign Exhibitions Business:** recorded EBITDA of Euro 3,699 thousand compared to Euro 80 thousand in the financial year to 31 December 2017. The change mainly reflects the already-mentioned revenue trend and the lower costs following rationalisation and reorganisation measures launched by the companies in Brazil and South Africa.
- **Media:** recorded an EBITDA of Euro 551 thousand, a Euro 142 thousand improvement on the figure of the previous financial year (Euro 409 thousand). The increase mainly reflected the trend in revenues.
- **Congresses:** recorded EBITDA of Euro 3,828 thousand compared to Euro 3,022 thousand in the financial year to 31 December 2017, marking an increase of Euro 806 thousand. The increase reflects the OSCE congress and overall cost cutting measures.



Total **EBIT** was Euro 25,075 thousand compared to Euro 5,372 thousand in the previous financial year. The breakdown by operating segments was as follows:

- **Italian Exhibitions Business:** recorded EBIT of Euro 19,996 thousand compared to Euro 5,339 thousand at 31 December 2017. The Euro 14,657 thousand improvement mainly reflected the trend in EBITDA, lower depreciation and amortisation for some asset groups that were completely depreciated/amortised, as well as the absence of impairment losses following impairment testing. Note that the 2017 figure included impairment losses of Euro 1,534 thousand for trademarks.
- **Foreign Exhibitions Business:** recorded EBIT of Euro 3,303 thousand compared to an EBIT of Euro -436 thousand at 31 December 2017. The change was mainly due to the EBITDA trend.
- **Media:** recorded an EBIT of Euro -618 thousand, a Euro 578 thousand improvement on the figure of the previous financial year (Euro -1,196 thousand). The improvement was mainly due to lower impairment losses as well as to the trend of EBITDA. Impairment losses regarded "Food & Beverage" publications, Euro 450 thousand and "Technology" publications, Euro 467 thousand. Note that the 2017 figure had included impairment losses of Euro 1,234 thousand.
- **Congresses:** recorded EBIT of Euro 2,457 thousand compared to Euro 1,726 thousand in the financial year to 31 December 2017. The increase in EBIT is in line with that of EBITDA.

Lastly, with regard to **Employees** at the end of the financial year, the Group 696 employees were allocated to the four operating segments as follows: 71% to Italian Exhibitions Business, 14% to Foreign Exhibitions Business, 7% to Media and 8% to Congresses.

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

#### SUMMARY DATA FOR COMPANIES IN THE FOREIGN EXHIBITIONS BUSINESS SEGMENT

(Amounts in € '000)

	2018	2017
<b>Revenues from sales and services</b>		
- by company:		
. Cipa FM Publicações e Eventos Ltda	7,035	3,973
. Fiera Milano Exhibitions Africa (PTY) Ltd	809	1,123
<b>Total gross of adjustments</b>	<b>7,844</b>	<b>5,096</b>
<b>EBITDA</b>		
- by company:		
. Cipa FM Publicações e Eventos Ltda	492	(1,872)
. Hannover Milano Global Germany GmbH	3,184	3,269
. Fiera Milano Exhibitions Africa (PTY) Ltd	125	(1,018)
. Fiera Milano India Pvt Ltd	(9)	(120)
. Limited Liability Company Fiera Milano	(89)	(17)
. Eurofairs International Consultoria e Participações Ltda	(4)	(162)
<b>Total</b>	<b>3,699</b>	<b>80</b>
<b>EBIT</b>		
- by company:		
. Cipa FM Publicações e Eventos Ltda	199	(2,214)
. Hannover Milano Global Germany GmbH	3,184	3,269
. Fiera Milano Exhibitions Africa (PTY) Ltd	23	(1,192)
. Fiera Milano India Pvt Ltd	(9)	(120)
. Limited Liability Company Fiera Milano	(90)	(17)
. Eurofairs International Consultoria e Participações Ltda	(4)	(162)
<b>Total</b>	<b>3,303</b>	<b>(436)</b>

## OPERATING FIGURES

The table below gives the figures for events held at the **fieramilano** and **fieramilanocity** sites and those held abroad in the financial year to 31 December 2018 with comparative figures for the previous financial year. More specifically, the table shows 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 31/12/18		Full year to 31/12/17	
	Total	Organised by the Group	Total	Organised by the Group
<b>Number of exhibitions:</b>	<b>79</b>	<b>39</b>	<b>84</b>	<b>46</b>
<b>Italy</b>	<b>52</b>	<b>12</b>	<b>54</b>	<b>16</b>
. annual	38	10	39	10
. biennial	8	-	15	6
. multi-annual	6	2	-	-
<b>Foreign countries</b>	<b>27</b>	<b>27</b>	<b>30</b>	<b>30</b>
. annual	23	23	25	25
. biennial	4	4	5	5
. multi-annual	-	-	-	-
<b>Number of congresses with related exhibition space</b>	<b>44</b>	<b>-</b>	<b>39</b>	<b>-</b>
<b>Net sq.metres of exhibition space:</b>	<b>1,972,175</b>	<b>678,790</b>	<b>1,943,950</b>	<b>909,525</b>
<b>Italy</b>	<b>1,505,380</b>	<b>211,995</b>	<b>1,517,205</b>	<b>482,780</b>
. annual (a)	1,084,640	180,350	1,080,600	200,235
. biennial	266,650	-	436,605	282,545
. multi-annual	154,090	31,645	-	-
(a) of which congresses with related exhibition space	62,490	-	52,045	-
<b>Foreign countries</b>	<b>466,795</b>	<b>466,795</b>	<b>426,745</b>	<b>426,745</b>
. annual	433,755	433,755	388,805	388,805
. biennial	33,040	33,040	37,940	37,940
. multi-annual	-	-	-	-
<b>Number of exhibitors:</b>	<b>35,615</b>	<b>12,085</b>	<b>36,470</b>	<b>16,740</b>
<b>Italy</b>	<b>27,865</b>	<b>4,335</b>	<b>27,785</b>	<b>8,055</b>
. annual (b)	21,845	3,810	21,425	4,010
. biennial	3,265	-	6,360	4,045
. multi-annual	2,755	525	-	-
(b) of which congresses with related exhibition space	3,715	-	2,920	-
<b>Foreign countries</b>	<b>7,750</b>	<b>7,750</b>	<b>8,685</b>	<b>8,685</b>
. annual	7,075	7,075	8,055	8,055
. biennial	675	675	630	630
. multi-annual	-	-	-	-

The table shows that in the 2018 financial year the percentage of total square metres of exhibition space covered by annual exhibitions was approximately 77%. Annual exhibitions covered 1,518,395 square metres of exhibition space, an increase of 48,990 square metres compared to the previous financial year. The increase mostly regarded annual exhibitions held abroad (+44,950 square metres, corresponding to around 12%). Biennial exhibitions covered 299,690 net square metres of exhibition space, a decrease of 37% compared to 2017. The decrease of 174,855 square metres was mainly due to the absence of the directly organised biennial exhibitions in Italy (Host and Tuttofood). This impact was partly offset by the increase of 112,590 square metres of space occupied by biennial exhibitions hosted in Italy, which primarily reflected the presence of Mostra Convegno Expocomfort. Multi-annual exhibitions covered 154,090 net square metres of exhibition space and mainly relate to The Innovation Alliance. There was a year-on-year increase compared to 2017 of 9%, or 40,050 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, South Africa and Brazil.

The tables on the following pages give the figures for the two periods compared for events hosted by the Group at 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

Net sq. metres of exhibition space

Number of exhibitors

Annual Exhibitions:	Net sq. metres of exhibition space		Number of exhibitors	
	Full year to 31/12/2018	Full year to 31/12/2017	Full year to 31/12/2018	Full year to 31/12/2017
<b>Directly organised</b>				
- Bit	16,280	15,160	290	280
- Chibimart Summer	3,655	3,780	130	125
- Chibimart Winter	3,040	3,440	85	105
- HOMI I semester	81,020	83,690	1,405	1,425
- HOMI II semester	40,145	55,485	1,040	1,165
- Miart	8,845	8,415	205	195
- Promotion Trade Exhibition	4,905	4,335	145	135
- Sposaltalia	9,305	9,545	150	160
- Tempo di libri	13,155	16,385	220	285
- Versilia Yachting Rendez-Vous	b)	b)	140	135
- Milano Pret a Porter Spring	c)	c)	c)	c)
<b>Total annual exhibitions directly organised</b>	<b>180,350</b>	<b>200,235</b>	<b>3,810</b>	<b>4,010</b>
<b>Hosted</b>				
- Artigiano in fiera	59,170	63,415	1,540	1,905
- Cartoomics	14,465	10,495	400	340
- Eicma Moto	101,770	109,160	560	695
- Enci Winner	19,300	16,550	30	45
- Fa' la cosa giusta	11,340	10,285	720	680
- Gi' come giocare	8,430	12,350	100	70
- Hobby Show (I semester)	1,700	1,610	70	65
- Hobby Show (II semester)	1,170	1,580	60	70
- Lineapelle (I semester)	48,195	46,665	1,110	1,200
- Lineapelle (II semester)	50,050	48,445	1,150	1,135
- Mido	50,490	48,015	1,270	1,190
- Milan Games Week	13,890	7,635	90	90
- Milano Auto Classica	15,660	17,560	330	335
- Milano Unica (Autumn)	32,510	31,890	480	460
- Milano Unica (Spring)	27,075	27,325	415	365
- Mipel (Autumn)	8,850	8,575	335	280
- Mipel (Spring)	8,890	7,980	320	250
- Myplant & garden	25,395	17,065	520	450
- Salone del Franchising Milano	4,010	4,725	135	135
- Salone del mobile/ Complemento d'arredo	161,480	161,130	1,070	1,130
- Simac Tanning-Tech	18,230	17,205	275	245
- Smau	4,355	4,340	5	10
- Technology Hub (ex 3D Print Hub)	1,970	2,350	125	120
- The Micam (Autumn)	62,965	63,345	1,330	1,355
- The Micam (Spring)	62,930	61,705	1,305	1,330
- The One Milano (February)	15,435	13,615	240	220
- The One Milano (September)	1,835	1,820	110	80
- Viscom - Visual communication	10,240	9,285	225	210
- MAM - Mostra a Milano Arte e Antiquariato	d)	2,200	d)	35
- Promotion Trade Exhibition	a)	a)	a)	a)
- Prima MU	d)	d)	d)	d)
- Esposizione Internazionale Canina	d)	d)	d)	d)
- Mifur	c)	c)	c)	c)
- Milano Auto Classica - Winter Edition	d)	d)	d)	d)
- Super Spring	d)	d)	d)	d)
<b>Total annual exhibitions directly organised</b>	<b>841,800</b>	<b>828,320</b>	<b>14,320</b>	<b>14,495</b>
<b>Total annual exhibitions</b>	<b>1,022,150</b>	<b>1,028,555</b>	<b>18,130</b>	<b>18,505</b>

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ITALIAN EXHIBITION PORTFOLIO	Net sq. metres of exhibition space		Number of exhibitors	
	Full year to 31/12/2018	Full year to 31/12/2017	Full year to 31/12/2018	Full year to 31/12/2017
<b>Biennial Exhibitions:</b>				
<b>Directly organised</b>				
- 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
<b>Total biennial exhibitions directly organised</b>	<b>-</b>	<b>282,545</b>	<b>-</b>	<b>4,045</b>
<b>Hosted</b>				
- Biomass Innovation Expo*	3,455	-	65	-
- Bimu	39,640	-	610	-
- Eurocucina	37,750	-	110	-
- Mostra Convegno Expocomfort	115,400	-	1,570	-
- Salone Internazionale del Bagno	21,210	-	180	-
- Sfortec	425	-	25	-
- Venditalia	13,855	-	285	-
- Xylexpo	34,915	-	420	-
- 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
- Spazio Nutrizione	-	505	-	60
- Vitrum	-	14,575	-	155
- Workplace 3.0	-	11,685	-	80
<b>Total biennial exhibitions hosted</b>	<b>266,650</b>	<b>154,060</b>	<b>3,265</b>	<b>2,315</b>
<b>Total biennial exhibitions</b>	<b>266,650</b>	<b>436,605</b>	<b>3,265</b>	<b>6,360</b>
<b>Multi-annual Exhibitions:</b>				
<b>Directly organised</b>				
- Print4All *	13,990	-	285	-
- Expodetergo	17,655	-	240	-
<b>Total multi-annual Exhibitions directly organised</b>	<b>31,645</b>	<b>-</b>	<b>525</b>	<b>-</b>
<b>Hosted</b>				
- Intralogistica	3,555	-	85	-
- Ipack-Irna	57,045	-	1,025	-
- Meat Tech	6,925	-	105	-
- Plast	54,920	-	1,015	-
<b>Total multi-annual exhibitions hosted</b>	<b>122,445</b>	<b>-</b>	<b>2,230</b>	<b>-</b>
<b>Total multi-annual exhibitions</b>	<b>154,090</b>	<b>-</b>	<b>2,755</b>	<b>-</b>
<b>TOTAL EXHIBITIONS</b>	<b>1,442,890</b>	<b>1,465,160</b>	<b>24,150</b>	<b>24,865</b>
- Congresses with related exhibition space	62,490	52,045	3,715	2,920
<b>TOTAL</b>	<b>1,505,380</b>	<b>1,517,205</b>	<b>27,865</b>	<b>27,785</b>

\* The exhibition was held for the first time.

- Starting from 2017 is organised by Fiera Milano Group.
- The exhibition was held in Viareggio with the presence of 80 boats (from 10 to 60 linear meters) and 155 curtains
- Starting from 2017 the exhibition is included in The ONE Milano.
- The exhibition did not take place.

The table below gives details of the exhibitions organised abroad, for which the Group has acted as organiser, business partner or agent. The net exhibition space utilised was 466,795 square metres (the figures for net square metres of 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 31/12/18	Full year to 31/12/17	Full year to 31/12/18	Full year to 31/12/17
<b>Annual Exhibitions:</b>				
<b>Exhibitions in China</b>				
- CeMAT Asia Shanghai	26,250	22,530	560	650
- China International Fastener Show °	13,500	-	700	-
- China Tourism International and Commodities Fair	13,940	6,805	160	360
- Chinafloor Domotex Shanghai °	80,785	69,345	1,455	1,330
- Comvac Asia	8,585	7,590	210	160
- GITF International Tour Guangzhou	10,905	7,045	230	240
- Industrial Automation Beijing/FAPA	3,910	3,905	120	170
- Industrial Automation Robotic Show Wuhan * °	5,605	-	120	-
- Industrial Automation Shanghai °	31,985	24,925	670	500
- Industrial Automation Shenzhen	12,950	10,165	370	500
- Industrial Supply Asia	650	290	35	85
- Internet Plus Expo Foshan	13,795	5,430	80	600
- Metal + Tech Foshan	6,385	-	120	-
- Metalworking and CNC Mach. Tool Shanghai °	36,100	29,940	325	550
- Motor Show Chengdu °	75,700	77,170	90	90
- PTC Asia Shanghai	26,450	39,990	1,125	1,600
- Wuhan Motor Show °	45,400	54,985	85	85
- Heavy Machinery Asia	a)	670	a)	80
- MDA Shenzhen	b)	335	b)	25
<b>Total Exhibitions in China</b>	<b>412,895</b>	<b>361,120</b>	<b>6,455</b>	<b>7,025</b>
<b>Exhibitions in India</b>				
- Food Hospitality World Bangalore	2,150	1,660	90	120
- Food Hospitality World Mumbai	2,460	2,970	140	165
- Food Hospitality World Goa	a)	1,000	a)	70
- CeBIT India	a)	a)	a)	a)
- CeMAT India	a)	a)	a)	a)
- Industrial Automation India	a)	a)	a)	a)
- MDA India	a)	a)	a)	a)
<b>Total Exhibitions in India</b>	<b>4,610</b>	<b>5,630</b>	<b>230</b>	<b>355</b>

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FOREIGN EXHIBITION PORTFOLIO	Net sq. metres of exhibition space		Number of exhibitors	
	Full year to 31/12/18	Full year to 31/12/17	Full year to 31/12/18	Full year to 31/12/17
<b>Exhibitions in South Africa</b>				
- Cape Town Art Fair	3,695	3,075	100	60
- Good Food & Wine Show Capetown	a)	3,135	a)	175
- Good Food & Wine Show Gauteng	a)	3,850	a)	160
- Good Food & Wine Show Durban	a)	a)	a)	a)
<b>Total Exhibitions in South Africa</b>	<b>3,695</b>	<b>10,060</b>	<b>100</b>	<b>395</b>
<b>Exhibitions in USA</b>				
- Homi New York	a)	a)	a)	a)
<b>Total Exhibitions in USA</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Exhibitions in Brazil</b>				
- Enersolar	630	850	35	45
- Exposec	10,695	9,805	210	190
- Infocomm	1,230	1,340	45	45
<b>Total Exhibitions in Brazil</b>	<b>12,555</b>	<b>11,995</b>	<b>290</b>	<b>280</b>
<b>Total Annual Exhibitions</b>	<b>433,755</b>	<b>388,805</b>	<b>7,075</b>	<b>8,055</b>
<b>Biennial Exhibitions:</b>				
<b>Exhibitions in China</b>				
- China Commercial Vehicle Show °	-	24,850	-	120
- Metal + Metallurgy	-	3,640	-	120
<b>Total Exhibitions in China</b>	<b>-</b>	<b>28,490</b>	<b>-</b>	<b>240</b>
<b>Exhibitions in Brazil</b>				
- Ebrats	1,980	-	80	-
- Feitintas	550	-	45	-
- Fesqua	10,735	-	235	-
- Fisp	19,775	-	315	-
- Reatech, FisioTech	-	4,745	-	130
- Tubotech	-	2,010	-	125
- Wire South America	-	2,695	-	135
<b>Total Exhibitions in Brazil</b>	<b>33,040</b>	<b>9,450</b>	<b>675</b>	<b>390</b>
<b>Total Biennial Exhibitions</b>	<b>33,040</b>	<b>37,940</b>	<b>675</b>	<b>630</b>
<b>TOTAL EXHIBITIONS</b>	<b>466,795</b>	<b>426,745</b>	<b>7,750</b>	<b>8,685</b>

\* First edition of this exhibition.

° Fiera Milano Group acts as a trading partner or agent.

a) The exhibition did not take place.

b) The exhibition has become part of Industrial Automation Shenzhen.

# FIERA MILANO GROUP PERSONNEL

## COMPOSITION AND TURNOVER

At 31 December 2018, the Group had 696 permanent employees compared to 693 at 31 December 2017.

PERMANENT EMPLOYEES AT YEAR END (units)	31/12/18			31/12/17		
	Total	Italy	Foreign countries	Total	Italy	Foreign countries
<b>Fully consolidated companies:</b>						
Executives	27	25	2	29	27	2
Managers and White collar workers (including Journalists)	587	554	33	602	559	43
<b>Total</b>	<b>614</b>	<b>579</b>	<b>35</b>	<b>631</b>	<b>586</b>	<b>45</b>
<b>Equity-accounted companies<sup>(a)</sup>:</b>						
Executives	2	-	2	2	-	2
White collar workers	80	20	60	60	7	53
<b>Total</b>	<b>82</b>	<b>20</b>	<b>62</b>	<b>62</b>	<b>7</b>	<b>55</b>
<b>TOTAL</b>	<b>696</b>	<b>599</b>	<b>97</b>	<b>693</b>	<b>593</b>	<b>100</b>

<sup>(a)</sup> the indicated data corresponds to the pro-quota of total employees

In 2018, a net increase of 3 employees was recorded against 2017 due mainly to the consolidation and strengthening of the organisational units in Italy and of the joint venture with our partner Deutsche Messe AG.

In 2018, 64 people joined the Group, of which 40 in Italy to strengthen the marketing departments and the corporate governance organisational structures; the remaining 24 people were employed abroad and relate mostly to the high employee turnover rate.

61 people left the Group of which 38 were from the Italian companies and were mainly due to voluntary resignations, early retirement schemes and the corporate restructuring; 23 people left the foreign businesses due to the high employee turnover rate and the business reorganisation.

The overall 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 18.2% compared to 23.2% last 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 fell from 39 people at 31 December 2017 to 35 people at the end of 2018.



## 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.
- 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 2018, personnel with technical roles in the Company received health and safety training.

## TRAINING

Fiera Milano Group's training programme focuses on increasing the skills and abilities of personnel with a view to sustaining the processes of organisational change within the Group.

Part of the training programme regarded the update of the Organisational model under Legislative Decree 231/2001 and the in-depth examination of the new GDPR privacy provisions. In addition to training courses in the classroom, training events open to all Group personnel were also organised, which enabled the same to learn about a topic, share common experiences, best practices and obtain answers to the most important issues. The meetings, held on a monthly basis directly by the employees that owned the procedures, regarded Procurement, Billing, Credit Management, Discounts, Access Control, Business Trips and Travel, expense accounts and the Car policy.

Training relating to the topic of sustainability is worth mentioning, the objective of which was to identify "Ambassadors" within the various departments, tasked with promoting sustainability projects within the organisation, in line with the Group's objectives. Following this, classroom training courses were held, divided into different modules, which enabled best practices in CSR (Corporate Social Responsibility) within the different company departments to be discussed, and involving the Procurement, Human Resources, Environment, Marketing and Communication departments.

Thanks to the arrangement with Fiera Milano Media, training events relating to Business International continued in 2018 as well, held monthly through the internal communication instrument "Noi Fiera". The topics of the courses chosen regarded, *inter alia*, legislative updates and personnel development as well as permitting networking and comparisons with different company areas. The most popular areas in terms of attendance were Finance, Legal, Internal Auditing, Procurement, Sales and Marketing.

The front line of the Chief Executive Officer benefitted from membership of the *Executive V Club* of Fiera Milano Media, as a source of inspiration and interpretation of the key success factors of future enterprises. The meetings provided an occasion to exchange ideas, access sources of professional retraining as well as acquire new contacts for new business opportunities.

In 2018, through cooperation with Ebiter and Asseprim, training courses were offered in specialistic technical and legislative areas, such as Excel, time management, personnel administration and effective presentation techniques.

In addition, refresher courses were provided in the areas of first aid and fire prevention, as well as in workplace health and safety to the trade union representatives of workers and for the Health and Safety Officer.

The coaching method was adopted again this year to support organisational change as well as professionals that have changed position and have to face new challenges and/or manage new teams.

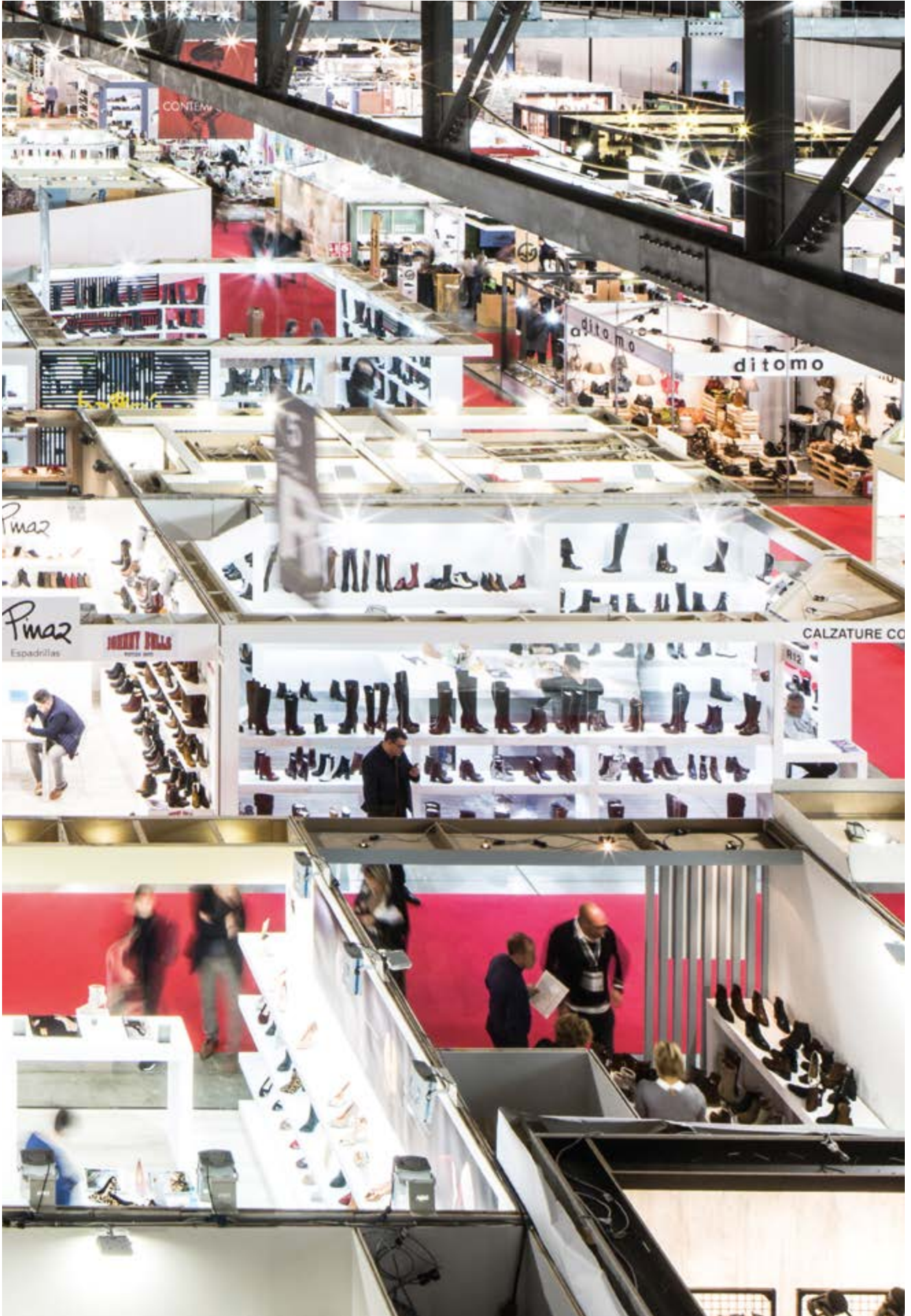
Training dedicated to journalists continued, through classroom training courses on topics relating to ethical conduct, new communication tools and new ways of disseminating and channelling information.

Also due to the new business organisation, which increasingly requires the need to work by objectives and to establish cross-functional projects, a training project addressed at this stage to the Finance area was launched in November 2018. The purpose of the course is to enable the resources involved to achieve objectives related to the changes that have taken place in the company: the ability to work as a team, proactivity and taking on individual responsibility. The course started with a plenary session in which, using an experience-based approach, the resources involved were able to (i) get to know each other, reinforcing trust between colleagues with a view to better relational skills and (ii) to acquire an understanding of company relations by analysing dysfunctional behaviour and successful behaviour.

Lastly, in 2018, a number of meetings were organised by the Chief Executive Officer with all Group employees for the purpose of sharing the Group's 2018-2022 Strategic Plan, to provide constant updates on the economic results achieved each quarter and on business development.

CIPA Fiera Milano focused on technical and language training with a view to resource development.

The total number of Group personnel that took part in the 134 training courses held was 665 for a total of 12,626 hours.



# 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 consolidated process entails periodic:

- (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.

The organisational and procedural supervision of the ERM process is guaranteed by the establishment of the Risk Management function, which is responsible for sustaining the planning, design and implementation of the global corporate risk management process and by the subsequent 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 periodically informed of the results of the aforementioned process.

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 AND STRATEGIC RISKS

### Risks related to the general economic environment, to the development of and competition within the exhibition market

Global economic and financial prospects are conditioned by uncertainties related to economic and political factors, which make the current scenario instable; difficulties in making forecasts relate to factors such as Brexit, fears linked to protectionist measures of large economies (USA and China), the vulnerability of emerging markets and financial market volatility.

The advanced economies, overall, are growing less than in the past, China has slowed down slightly and in the United States, overall performance continues to be positive, although the impact of the long shutdown and of the general situation of the world economy on the labour market have not been confirmed yet.

In 2018, the growth of the economy in the Eurozone slowed down. A moderate uptrend of around +1.6% is envisaged in 2019. The slowdown of Germany is having a significant impact on the economic performance of the Eurozone, due above all to the difficulties of the automotive industry, a key sector for the German economy: the continental scenario has also been conditioned by the end of the favourable cycle of the world economy, by the customs duties war between China and the United States and by uncertainties relating to developments of domestic political situations. With regard to Italy, GDP is expected to slow down to around +0.6% in 2019 and +0.9% in 2020. Overall, the conditions for growth have weakened: weaker exports, a slowdown in consumption and a less favourable trend for borrowing, due to a higher spread. In 2018, industrial production recorded a moderate increase year-on-year only for consumer goods, while decreases were recorded for intermediate goods, energy and to a lesser extent, capital goods. The most recent indicators are negative: in 2018 the turnover of Italian industry dropped 7.3% yoy, exports by 2.7%, while GDP has been falling since the third quarter of 2018 (technical recession).

Nevertheless, the performance of the exhibition sector shows comforting signals. Based on the initial figures available for 2018, the CFI (Comitato Fiere Industria, the exhibition section of Confindustria) shows a consolidation of the recovery recorded back in 2017: exhibition sites have risen by 3.8% against previous editions, while exhibitors have risen by 2.5%, due above all to the increase in foreign exhibitors (+6%). The trend of visitors, which usually anticipates market changes in the following years, was very positive and recorded a double-figure increase (total visitors rose by +13.8% and foreign ones by +20%). The reasons behind this performance lie in the attractiveness of the Italian exhibition market for products in its strongest sectors (furniture, food, engineering and clothing-fashion) and in business policy measures to promote exports (Extraordinary Plan for 'Made in Italy') extended to 2018. Looking towards the future, the greatest sources of concern for exhibition players are domestic economic conditions, the economic scenario at global level and internal competition within the sector.

From a competitive perspective, the world exhibition market continues to be fragmented as a whole, although a shift towards consolidation was noted between 2017 and 2018, also following some large-scale M&A transactions, which have changed the international panorama and the ranking of the major players in the industry (e.g. the acquisition of UBM by Informa, the highest value deal of recent years); private equity funds are showing considerable interest in the industry, attracted by a market that continues to grow at global level, represented by high added-value B2B services and characterised by high cash flows. In any event, the markets in which the Group is active continue to be characterised by strong competition in terms of both pricing and a complete or partial overlapping of exhibitions and of services provided.

In this scenario, the objective of Fiera Milano Group is to achieve long-term sustainable growth with a view to maintaining its leadership position in Italy and increasing its presence and competitiveness at international level. It continues to be committed to pursuing the strategic direction established in the 2018-2022 Plan, focusing on four major strategic lines: (i) development of the portfolio of third-party events and congress business; (ii) the enhancement of services; (iii) the strengthening of directly organised events; (iv) the expansion of international business.

### Catastrophe risks - terrorism

The exhibition site of Rho is considered a target at risk of potential terrorist attacks, given the high number of people that may be present at peak exhibitions and the consequent media attention that an event of this nature would attract. The potential negative repercussions are assessed as high in terms of damage to buildings, people and the fact that it would consequently be impossible to operate, while the probability of this happening is considered low.

To this end, the Group has for some time had an effective security system for access management; more specifically, also following the recommendations and consulting with the competent authorities, the Group has raised the levels of security and access control to the areas where the exhibitions take place by introducing, starting with the Artigiano in Fiera exhibition in December 2017, security controls based on those conducted at airports (security checks at entry points using scanners for bags and metal detectors for people), adopting preventive measures in collaboration with the police, protecting pedestrian areas by placing concrete barriers that prevent vehicle access.

In addition, it should be noted that under the current "All Risks Property" insurance policy, insurance cover is in place for "terrorist attacks".

### Risks relating to seasonality

Exhibition and event organisation, by its nature, is subject to seasonality and demand cyclicity, both of which are particularly relevant to the Italian and European market; the latter is characterised by the almost total absence of exhibitions in the summer months, and by the presence of biennial and multi-annual exhibitions. This seasonality has a significant impact on the distribution of the Group's revenues and margins, which is exposed to the risk of having non-optimal saturation levels of the Exhibition site in order to achieve the expected profit margins.

To date, the strategies pursued by management to counteract this risk include (i) enhancing the portfolio of hosted exhibitions and re-positioning some of its historic events, (ii) internationalising events (in terms of exhibitors and visitors, also through so-called "geocloning" transactions), (iii) setting up strategic and commercial collaborations/alliances with other exhibition venues and/or organisers, and (iv) exploiting 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 profit margins over a single year and also between odd and even-numbered years.

### Risks connected to the Group's dependency on the exhibition business

At present, several Group Companies are highly dependent on the performance of the exhibition and congress businesses, specifically Fiera Milano Media SpA, Nolostand SpA and Mico DMC Srl, whose businesses are currently still mostly captive in terms of the Group's portfolio of exhibitions and congresses.

To address this dependency and the inherent risks it poses to the business of the two aforementioned Companies, the Group has launched measures 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 and expanding the high-level training area (education segment) by launching new products. To lessen the risk of the dependency of Nolostand SpA, the Company is gradually expanding and diversifying its service portfolio by researching and developing opportunities that are not exclusively linked to the organised/hosted business at the sites managed by Fiera Milano Group (so-called "off site" business). As regards Mico DMC Srl, in addition to developing non-captive business lines, the Group is focusing in particular on sources of revenue and profit margins originating from third-party customers in the portfolio and on the opportunities relating to third-party organisers.

## 2. OPERATING RISKS

### Risks related to the loss of key events and the repositioning of exhibitions

Despite the high number of events organised and hosted at the exhibition sites, the use of a significant part of the exhibition space, and relative revenues and margins, is linked to a limited number of specific events, both organised and hosted (Salone del Mobile, Eicma Moto, Mostra Convegno Expocomfort, Host, Homi, Tuttofood). Therefore, it is possible that these events could record negative performance, which would affect their continuity over time, or that they could move (for hosted events) to other exhibition sites, with a consequent negative impact on the Group's results.

To address these uncertainties, the Group has drawn up plans of action with a view to reducing its risk exposure to a minimum; more specifically, through (i) a strategy to expand the main directly organised exhibitions (Host, Tuttofood and Homi) with the objective of increasing penetration in the trade sectors represented (ii) the expansion and optimisation of the portfolio of added-value services (e.g. destination management services) to propose to the organisers of hosted exhibitions and (iii) the launch of the «Smart District» project (digital transformation of the exhibition infrastructure), which when completed, will enable the **fieramilano** site in Rho to count on distinctive characteristics with a technological appeal that the competition does not have.

Furthermore, with regard to the weak situation seen in the recent past in terms of the reference markets - or of some segments of it - there appears to be a need to reposition several events, which have been included in the Fiera Milano SpA portfolio for some time, and for which measures such as a change in the organisational format, changes in dates and/or locations, spin-offs or additions of new trade sectors have already been partly introduced, even though this entails a greater risk of exposure to the under-performance of these events with relative repercussions on expected results, both in the short and the medium-long term. This risk is mitigated by creating cross-functional teams, with specific skills in the businesses in question, able to provide support to the business units in developing repositioning projects, by analysing competitive scenarios and market trends.

### Risks relating to the management of IT infrastructure and Cyber risk

The Group's technological infrastructure is potentially exposed to the risk of a malfunction and/or interruption due to hypothetical internal or external attacks by hackers or due to other types of unforeseeable events, which could have negative repercussions ranging from delays in the management of its business to a temporary interruption of its business activities. To address these potential occurrences, the Group has adequate physical means of prevention and protection, which include, inter alia, daily back-ups of all data and alternative solutions able to rapidly reactivate the infrastructure. The Group is also working on adopting formal Disaster Recovery solutions and procedures.

Based on past experience, the potential exposure to a cyber attack, which aims to circulate confidential third-party data or to contaminate Internet or Intranet websites is low, even though potentially serious; from this perspective there is adequate IT security controls in place (firewalls, system architecture) and "vulnerability assessments" and "penetration tests" are conducted regularly on the systems considered most critical to prevent possible breaches, with satisfactory results. Furthermore, at the end of 2018, the IAM (Identity and Access Management) project was launched, essential addressed to further strengthening the security measures for access to the Group's IT platforms.

### Risks connected to locating and retaining the necessary specialist competencies

The Fiera Milano Group considers its human resources and competences in its core business to be one of its principal strategic assets. The continuous evolution of the exhibition business in terms of market trend and customer expectations and the pursuit of the Group's strategic lines established in the 2018-22 Strategic Plan (including the consolidation and development of new proprietary exhibitions) require specialist professional skills that are not easily found on the market.

To manage potential problems due to this risk factor, in 2018 the Group introduced a PLM - Performance and Leadership Management - system to assess the expertise of its personnel: the purpose of the system is to promote the achievement of the strategic business objectives and to assess expected conduct based on a leadership model that represents the Fiera Milano Group. The relative employee incentive plans aim to enable the Group to boost the development and loyalty of its personnel and key internal expertise ensuring a better coordination/exchange and sharing of know-how.

Furthermore, a medium-long term Incentive Plan was adopted in 2018 based on a mixed cash and performance share structure; this system enables (i) the interests of management to be aligned to those of the shareholders, (ii) to link the incentive process of managerial staff and of the Group's key personnel to the actual results of the Company and (iii) to develop policies that are able to attract and retain talented professionals. The addressees of the Plan are, in addition to the Executive Directors and Executives with Strategic Responsibilities, Group employees identified by the Board of Directors among those that cover or play important roles or functions within the same.

The Group is also exposed to the risk that the expertise and relationships built up primarily by internal organisers and in general by the resources of the business are inadequate to meet new market challenges, which are driven by the demand and offer of the reference product sectors of the exhibitions (e.g. increasing importance of the digital component in the range of exhibition products offered, also with relation to the launch of the Smart District project in 2019).

In response to this risk, in 2018, the Group adopted a new organisation model, which enabled better coordination and greater synergies, in commercial and organisational terms, of the internal organisers, and in 2019, the recruitment plan envisages hiring several resources with specific digital expertise. Furthermore, a succession & management continuity plan will be launched in 2019, which entails identifying potential successors to the Group's key figures, high-potential resources able to replace the heads of several of the Group's strategic areas in the future, also through training plans and the development of expertise.

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

In 2017 and 2018, the Group completely revised its list of approved suppliers, following the introduction of procedures to assess the reputation and the technical-economic qualifications of suppliers, particularly those in market segments with a higher component of manual labour (e.g. cleaning, supply and laying of fitted carpet, stand-fitting). In some isolated cases, this led to start-up problems with the technical provision of services from new suppliers - given the size of the exhibition site - clearing indicating several areas for improvement in the quality of the service provided.

These problem areas were handled by intensifying efforts to assist new suppliers during the planning of the service with the internal departments involved, at operational level, and in 2018 by establishing the "Supplier Quality Service", a second-level control function, tasked with monitoring the quality of supplier services and their compliance with contractual specifications.



### Risks relating to undeclared working practices in the Group's supply chain

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 risk of exposure to undeclared working practices.

The actual likelihood of hiring suppliers with undeclared labour issues is considered low in any event, given the numerous organisational and procedural checks set in place by the Group. Fiera Milano Group has designed and is implementing strict controls governing the selection of suppliers (e.g. reputational checks carried out by the Security department and updated every six months) to ensure that suppliers meet its reputational and financial-technical requirements. There are also on site controls: the Security department checks access permits 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) makes a second-level check of the quality of the service provided.

It should also be noted that i) the Code of Ethics of Fiera Milano Group includes basic policies regarding illegal work and child labour ii) the current Model 231 has a special section on crimes relating to the employment of citizens from third-party countries who do not have resident permits and a special section on crimes of illicit brokering and labour exploitation and on the prevention and monitoring of the aforementioned crimes.

### Risks linked to potential repercussions from a lack of transparency and integrity of counterparties

There is a potential risk that transactions lacking transparency with counterparties may develop into illegal behaviour such as, for example, corruption, compromising the Group's reputation and integrity, also considering its media exposure and the nature of its main Stakeholders.

To protect itself from this risk and the potential negative effects to its reputation and integrity, the Group has prepared and implemented 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, which illustrate the potential types of crime and the relative control protocols to safeguard the sensitive areas in question. These control protocols are part of specific corporate procedures amongst which the most significant, as regards these risks, are those governing Procurement.

In addition, each customer and supplier, and more generally all third parties, are informed about the Model 231 and the Code of Ethics of Group companies, insofar as specific clauses are envisaged within contracts, in which the counterparty undertakes to comply with the principles contained in Legislative Decree 231/2001 and in the Code of Ethics.

In terms of organisational safeguards, over the past two years, the Group has strengthened the Procurement and Internal Audit departments and has established the Security department.

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 for operations staff, and at longer intervals for positions in which the managerial component prevails over the operational one.

Employees then also attended training courses specifically dedicated to the topics in question, both in the classroom and using e-learning techniques.

Lastly, through the Procedure to manage reports, including anonymous ones (Whistleblowing), updated in 2018, the process of the receipt, analysis and treatment of whistleblowing reports, including those made anonymously or in confidence, made by third parties or Fiera Milano Group personnel, was regulated. The procedure envisages a specific internal committee (Reporting Committee) which is tasked with verifying reports indicating illegal facts and/or conduct. This committee is assisted in this task by the Supervisory Committee in the event of reports regarding illegal matters related to Legislative Decree 231/2001.

### 3. COMPLIANCE RISK

#### Risks connected to the reference legislative framework for health and safety

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 and capital situation as well as its reputation.

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. Although Fiera Milano Group does not have any relationship with the workers from the contracting 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.

In order to mitigate the potential negative impact of the above-cited risk factors, in addition to contractual protection mechanisms, the Fiera Milano Group has adopted a series of procedural and organisational safeguards of various types, which include:

- monitoring the assessment process for the selection of suppliers, checking their technical-professional suitability and focusing on aspects relating to health and safety in the workplace;
- the preparation of the Documento Unico per la Valutazione dei Rischi da Interferenze (DUVRI) and updating of the procedures to meet the requirements of Legislative Decree 81/2008;
- systematically updating the Organisational Model under Legislative Decree 231/01, which includes a Special Part on Health and Safety in the workplace;
- preparing and updating the Piano di attività per la Sicurezza, la Salute e l'Ambiente (PASSA), which contains the programme of the measures retained appropriate or necessary to guarantee the improvement of health and safety levels over time;
- 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 preparation, for each exhibition or event that takes place at the exhibition venues, of the Documento di Sicurezza di Mostra (DUSM), which contains general information about the exhibition as well as all relevant safety aspects.

### Administrative liability of entities

Legislative Decree no. 231 of 8 June 2001 introduced the "discipline governing administrative liability of legal entities, companies and of associations without legal status" (Legislative Decree 231/2001) and envisages the adoption and effective implementation of Organisation, management and control models. To meet the requirements of this Legislative Decree, the Group companies subject to the legislation have introduced Organisation 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.

To this end, in 2018, the Group adopted the updates of the Models 231 for almost all of the Group's Italian companies, also planning and running training courses, both online and in the classroom, for all employees. In 2019, further updates to the Models are expected to be made with a view to assimilating both legislative changes and changes in the organisational structures of the companies that have occurred in the meantime.

### 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 protect itself against these risks, Fiera Milano Group has specific insurance policies in place for Third-Party Liability and has set up an internal unit (Exhibition Safety) responsible for circulating safety information and material for the correct management of such risks.

### Risks relating to the introduction of European privacy regulations

In 2018, the Fiera Milano Group undertook a series of activities to revise and adapt the organisation and the procedural structure, as well as the overall management of fulfilling requirements relating to privacy and the protection of personal data, with a view to guaranteeing compliance with the reference European legislation (EU Regulation no. 679/2016), with regard both to the parent company and its subsidiaries.

## 4. FINANCIAL RISKS

The Notes to the Consolidated 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

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*“To meet the requirements of Article 5, paragraph 3, letter b of Legislative Decree 254/2016, the Company has prepared the Consolidated Non-Financial Information, which is a separate report. The 2018 Consolidated Non-Financial Information, prepared in accordance with GRI Standards, is available on the Group website.”*

## SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

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On 21 March 2019, Fiera Milano communicates that, pursuant to article 5 of Consob Regulation 17221 of 12 March 2010, and as amended regarding Related-Party Transactions, today it published the Information Document about the agreements for the sub-lease of the roofs of the exhibition spaces of Rho-Pero for the construction of a photovoltaic system and the linked contract for the purchase of renewable energy, closed with Fair renew S.r.l., whose share capital is held by A2A Rinnovabili S.p.A. (60%), group company A2A, and Ente Autonomo Fiera Internazionale di Milano (40%), which is the majority shareholder of Fiera Milano.

## BUSINESS OUTLOOK

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The expected business performance and the operating efficiency achieved enable us to raise the target EBITDA for 2019 of Euro 31-33 million in the 2018-2022 Strategic Plan, announced to the market in May 2018, to a range of 36-40 million.

Note that from 1 January 2019, the new accounting standard IFRS 16 “Leasing” has become effective and, therefore, the EBITDA target for 2019, which reflects the effects of this principle, corresponds to Euro 84-88 million.



# ECONOMIC AND FINANCIAL PERFORMANCE OF FIERA MILANO SPA

FIERA MILANO SPA INCOME STATEMENT (amounts in €'000)	2018		2017 restated	
		%		%
<b>Revenues from sales and services</b>	<b>196,384</b>	<b>100.0</b>	<b>204,714</b>	<b>100.0</b>
Cost of materials	326	0.2	871	0.4
Cost of services	94,324	48.0	105,554	51.6
Costs for use of third party assets	44,559	22.7	43,511	21.3
Personnel expenses	35,278	18.0	35,692	17.4
Other operating expenses	3,521	1.8	4,991	2.4
<b>Total operating costs</b>	<b>178,008</b>	<b>90.6</b>	<b>190,619</b>	<b>93.1</b>
Other income	5,582	2.8	5,697	2.8
Allowance for doubtful accounts and other provisions	3,453	1.8	4,901	2.4
<b>EBITDA</b>	<b>20,505</b>	<b>10.4</b>	<b>14,891</b>	<b>7.3</b>
Depreciation and amortisation	2,415	1.2	2,952	1.4
Adjustments to asset values	-	-	1,534	0.7
<b>EBIT</b>	<b>18,090</b>	<b>9.2</b>	<b>10,405</b>	<b>5.2</b>
Financial income/(expenses)	5,832	3.0	1,830	0.9
Valuation of financial assets	(1,996)	-1.0	(9,777)	-4.8
<b>Profit/(loss) before income tax</b>	<b>21,926</b>	<b>11.2</b>	<b>2,458</b>	<b>1.3</b>
Income tax	5,365	2.7	3,322	1.6
<b>Profit/(loss) from continuing operations</b>	<b>16,561</b>	<b>8.5</b>	<b>(864)</b>	<b>-0.3</b>
<b>Profit/(loss) form discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit/(loss)</b>	<b>16,561</b>	<b>8.5</b>	<b>(864)</b>	<b>-0.3</b>
<b>Total Cash flow</b>	<b>22,429</b>	<b>11.5</b>	<b>8,523</b>	<b>4.2</b>

Some figures for the year 2017 have been restated to reflect the application of the new standard IFRS 15 from 1 January 2018.

**Revenues from sales and services** were Euro 196,384 thousand compared to Euro 204,714 thousand in 2017, marking a decrease of Euro 8,330 thousand.

The decrease in revenues was mainly due to the less favourable exhibition calendar which last year had included the directly organised biennial exhibitions Host, Tuttofood, and Sicurezza, and the hosted Made Expo. This impact was partly offset by the presence in the current year of the important European event dedicated to solutions for the manufacturing industry: "The Innovation Alliance". The good performance of multi-annual exhibitions also contributed to revenues.

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

**EBITDA** was Euro 20,505 thousand compared to 14,891 thousand at 31 December 2017, marking an increase of Euro 5,614 thousand.

The increase is mainly due to the positive impact of lower costs following rationalisation measures launched in 2017.

**EBIT** was Euro 18,090 thousand compared to Euro 10,405 thousand at 31 December 2017. The increase of Euro 7,685 thousand reflects the trend in the EBITDA, as well as benefitting from the absence of impairment losses following impairment testing and lower amortisation and depreciation as some asset groups were fully depreciated/amortised.

**Net financial income** was Euro 5,832 thousand compared to Euro 1,830 thousand at 31 December 2017. The Euro 4,002 thousand increase mostly reflected higher dividends from subsidiaries and a reduction in financial expenses on lower average short and medium-long term debt.

The item **Valuation of financial assets** was negative for Euro 1,996 thousand compared to a negative figure of Euro 9,777 thousand at 31 December 2017. 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 profit** at 31 December 2018 was Euro 16,561 thousand, after taxes of Euro 5,365 thousand, compared to a net loss of Euro 864 thousand after taxes of Euro 3,322 thousand in the previous financial year.

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

**FIERA MILANO SPA RECLASSIFIED STATEMENT  
OF FINANCIAL POSITION**

(Amounts in €'000)

	31/12/18	31/12/17
Goodwill	70,144	70,144
Intangible assets with a finite useful life	6,783	7,169
Tangible fixed assets	3,026	3,653
Financial assets	59,339	64,663
Other non-current assets	-	900
<b>A Non-current assets</b>	<b>139,293</b>	<b>146,529</b>
Inventories	2,786	2,233
Trade and other receivables	31,071	31,616
<b>B Current assets</b>	<b>33,857</b>	<b>33,849</b>
Trade payables	19,857	27,894
Pre-payments	41,743	38,880
Tax liabilities	1,313	1,282
Provisions for risks and charges and other current liabilities	37,070	38,936
<b>C Current liabilities</b>	<b>99,983</b>	<b>106,992</b>
<b>D Net working capital (B - C)</b>	<b>(66,126)</b>	<b>(73,143)</b>
<b>E Gross capital employed (A + D)</b>	<b>73,167</b>	<b>73,386</b>
Employee benefit provisions	4,847	4,967
Provisions for risks and charges and other non-current liabilities	3,508	528
<b>F Non-current liabilities</b>	<b>8,354</b>	<b>5,495</b>
<b>G NET CAPITAL EMPLOYED continuing operations (E - F)</b>	<b>64,813</b>	<b>67,891</b>
<b>H NET CAPITAL EMPLOYED asset held for sale</b>	<b>-</b>	<b>-</b>
<b>TOTAL NET CAPITAL EMPLOYED (G + H)</b>	<b>64,813</b>	<b>67,891</b>
covered by:		
<b>I Equity</b>	<b>75,277</b>	<b>59,571</b>
Cash & cash equivalents	(16,986)	(7,691)
Current financial (assets)/liabilities	6,522	12,508
Non-current financial (assets)/liabilities	-	3,503
<b>Net financial position continuing operations</b>	<b>(10,464)</b>	<b>8,320</b>
<b>Net financial position asset held for sale</b>	<b>-</b>	<b>-</b>
<b>L Net financial position (TOTAL)</b>	<b>(10,464)</b>	<b>8,320</b>
<b>EQUITY AND NET FINANCIAL POSITION (I + L)</b>	<b>64,813</b>	<b>67,891</b>

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



**Net capital employed** was Euro 64,813 thousand at 31 December 2018, a decrease of Euro 3,078 thousand compared to the figure at 31 December 2017.

**Non-current assets** were Euro 139,293 thousand at 31 December 2018 compared to Euro 146,529 thousand at 31 December 2017. The change mainly reflected the decrease in fixed assets due to merger by incorporation of the subsidiary Ipack-Ima SpA, to impairment losses following impairment testing on investments, as well as a decrease in intangible assets due to amortisation.

**Net working capital**, which is the balance of current assets and current liabilities, moved from a negative figure of Euro 73,143 thousand at 31 December 2017 to a negative figure of Euro 66,126 thousand at 31 December 2018. The change in working capital mainly reflected a decrease in trade payables and in payables to exhibition organisers caused by the different exhibition calendar; this was partly offset by the increase in advance payments for future exhibitions.

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 75,277 thousand, an increase of Euro 15,706 thousand compared to the balance at 31 December 2017, mainly due to the net result for the period.

The **Net financial position** at 31 December 2018 recorded net financial resources of Euro 10,464 thousand compared to net indebtedness of Euro 8,320 thousand at 31 December 2017. The improvement in net indebtedness was due to the generation of operating cash flows.

**Investments:** at 31 December 2018 totalled Euro 2,778 thousand and the breakdown was as follows:

<b>INVESTMENTS</b> (€'000)	<b>Full year at 31/12/18</b>	<b>Full year at 31/12/17</b>
Intangible fixed assets	935	448
Tangible fixed assets	496	1,141
Financial fixed assets	1,347	4,854
<b>Total investments in non-current assets</b>	<b>2,778</b>	<b>6,443</b>

**Investments in intangible fixed assets** totalled Euro 935 thousand and related mainly to the cost of implementing digital projects, to purchases of software and software licenses with fixed-term rights of use.

**Investments in tangible fixed assets** were Euro 496 thousand mainly for plant and machinery, equipment and furniture for use in exhibitions, as well as electronic equipment and furnishings.

**Investments in financial fixed assets** totalled Euro 1,347 thousand and referred to capital transactions in La Fabbrica del Libro SpA and Eurofairs International Consultoria e Participações Ltda.

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 423 permanent employees at 31 December 2018 and the breakdown compared to the previous financial year was as follows:

<b>PERMANENT EMPLOYEES AT YEAR END</b> (units)	<b>31/12/18</b>	<b>31/12/17</b>
Executives	22	23
Middle management and White collar workers	401	393
<b>Total</b>	<b>423</b>	<b>416</b>

Permanent employees increased by seven compared to the previous year.

28 new employees joined the company, of which: 10 employees were transferred from other Group companies to bring operations in line with the new organisational model, 7 to strengthen the corporate governance staff team, 5 to expand the marketing and operations departments and 6 interns who became permanent employees as part of the policy to take on junior employees who were first hired on different types of contract. 21 employees left the company, of which: 16 voluntary resignations and consensual terminations, 3 people retired, 1 was transferred to another company and 1 withdrew from the contract due to the end of the protected period. The personnel that left were from the marketing department and staff positions.

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 11.8% in 2018 compared to 10.7% in 2017.

<b>MOVEMENT IN EMPLOYEES</b>	<b>2018</b>	<b>2017</b>
New employees	28	26
Leavers	21	18
Employee turnover	11.8%	10.7%
Internal mobility	80	34

Fiera Milano SpA employs staff on fixed-term contracts during the peaks of activity in the exhibition calendar and for extraordinary projects. Personnel on fixed-term contracts fell from 26 employees in 2017 to 19 employees in 2018.

<b>FIXED-TERM CONTRACTS</b>	<b>Full year at 31/12/2018</b>	<b>Full year at 31/12/2017</b>	<b>Change</b>
Executives	-	2	(2)
White collar workers	19	24	(5)
<b>Total</b>	<b>19</b>	<b>26</b>	<b>(7)</b>

Through agreements with the Milan Polytechnic, the Bocconi University, the Università Cattolica del Sacro Cuore, IULM, the Università Carlo Cattaneo -LIUC, the Università degli Studi di Pisa, the Sole 24 ore Business School, the Accademia di Comunicazione, Fondazione Fiera Milano, AFOL Metropolitana, ACTL Associazione per la cultura ed il tempo libero, ADECCO, FourStars Impresa Sociale and the Università degli Studi di Roma Tor Vergata, in 2018, Fiera Milano SpA gave work experience to 53 people allocated to various Company departments (Purchasing, Marketing, Communication, Internal Audit, Customer Care, IT, Legal, Marketing, Operations and the Technical department). The average length of these internships was six months.

Part-time employees went from 53 in 2017 to 57 in 2018, 48 of which were horizontal part-time employees and 9 were vertical part-time employees.

Employees of Fiera Milano SpA fall into three macro 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:

<b>BREAKDOWN BY LENGTH OF SERVICE</b>	<b>31/12/18</b>	<b>31/12/17</b>
< 10 years	23%	24%
From 10 to 20 years	49%	49%
> 20 years	28%	27%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## 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, which expired on 30 May 2016, was first extended until 31 December 2017 and, subsequently, until 31 December 2018.

Fiera Milano SpA continued to 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 2018; 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.*

With regard to the employment of women, Fiera Milano 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 2018, female employees numbered 262 representing 62% of total employees.

## SAFETY

The safety of all its employees is fundamental for Fiera Milano SpA and it makes significant investments to ensure their safety. In 2018, personnel with technical roles in the Company received health and safety training.

## TRAINING

The 2018 training programme of Fiera Milano SpA focused on the development of the skills and the know-how needed to handle the processes of organisational change underway in the company with a view to continuously improving performance.

Following the issue of new legislation and new internal procedures, the training programme envisaged training sessions open to all personnel, which enabled the same to increase their knowledge, share common experiences, best practices and obtain answers to the most important issues.

Through the contributions of expert specialist lawyers, we first focused on a greater understanding of the new GDPR provisions relating to privacy and then the training course regarding Legislative Decree 231, which was launched last year, was completed using both an e-learning approach and classroom sessions for Middle Managers.

Sessions were organised on a monthly basis to disseminate the content and the application of internal procedures. These sessions were held directly by the employees that owned the procedures and regarded Procurement, Billing, Credit Management, Discounts, Access Control, Business Trips and Travel, expense accounts and the Car policy.

Training relating to the topic of sustainability is worth mentioning, the objective of which was to identify "Ambassadors" within the various departments, tasked with promoting sustainability projects within the organisation, in line with the Group's objectives. Following this, classroom training courses were held, divided into different modules, which enabled best practices in Corporate Social Responsibility within the different company departments to be discussed, and involving the Procurement, Human Resources, Environment, Marketing and Communication departments.

Thanks to the arrangement with Fiera Milano Media, training events continued in 2018 as well, offered monthly by "Business International" through the internal communication instrument "Noi Fiera". The topics of the courses chosen regarded, *inter alia*, legislative updates and personnel development as well as permitting networking and comparisons with different company areas. The most popular areas in terms of attendance were Finance, Legal, Internal Auditing, Procurement, Sales and Marketing.

The front line of the Chief Executive Officer benefitted from membership of the Executive V Club of Fiera Milano Media, as a source of inspiration and interpretation of the key success factors of future enterprises. The meetings provided an occasion to exchange ideas, access sources of professional retraining as well as acquire new contacts for new business opportunities.

In 2018, through cooperation with Ebiter and Asseprim, training courses were offered in specialistic technical and legislative areas, such as Excel, time management, personnel administration and effective presentation techniques.

In addition, refresher courses were provided in the areas of first aid and fire prevention, as well as other refresher courses for trade union representatives of workers and for the Health and Safety Officer.

The coaching method was adopted again this year to support organisational change as well as professionals that have changed position or have to face new challenges and/or manage new teams.

Language training was offered again, through telephone conversations and on-to-one courses in order to improve customer relations.

Following the new business organisation, the launch of the new Performance Management system and the greater need to work by objectives and to set up cross-functional projects, during the year a one-year training programme was submitted and approved by the Fondo Interprofessionale For.Te, which will focus on the topics of innovation, change management and staff management.

The programme was launched with an initiative addressed to the Finance department, the purpose of which is to achieve objectives related to the changes that have taken place in the company: the ability to work as a team, proactivity and taking on individual responsibility. The project envisaged a plenary session in which, using an experience-based approach, the resources involved were able to (i) get to know each other, reinforcing trust between colleagues with a view to better relational skills and (ii) to acquire an understanding of company relations by analysing dysfunctional behaviour and successful behaviour.

During 2018 the 75 Fiera Milano training programmes involved 454 employees for a total of 9,328 hours.

# OTHER INFORMATION

## 1. EQUITY INVESTMENTS HELD BY MEMBERS OF THE ADMINISTRATIVE AND CONTROL BODIES AND BY GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

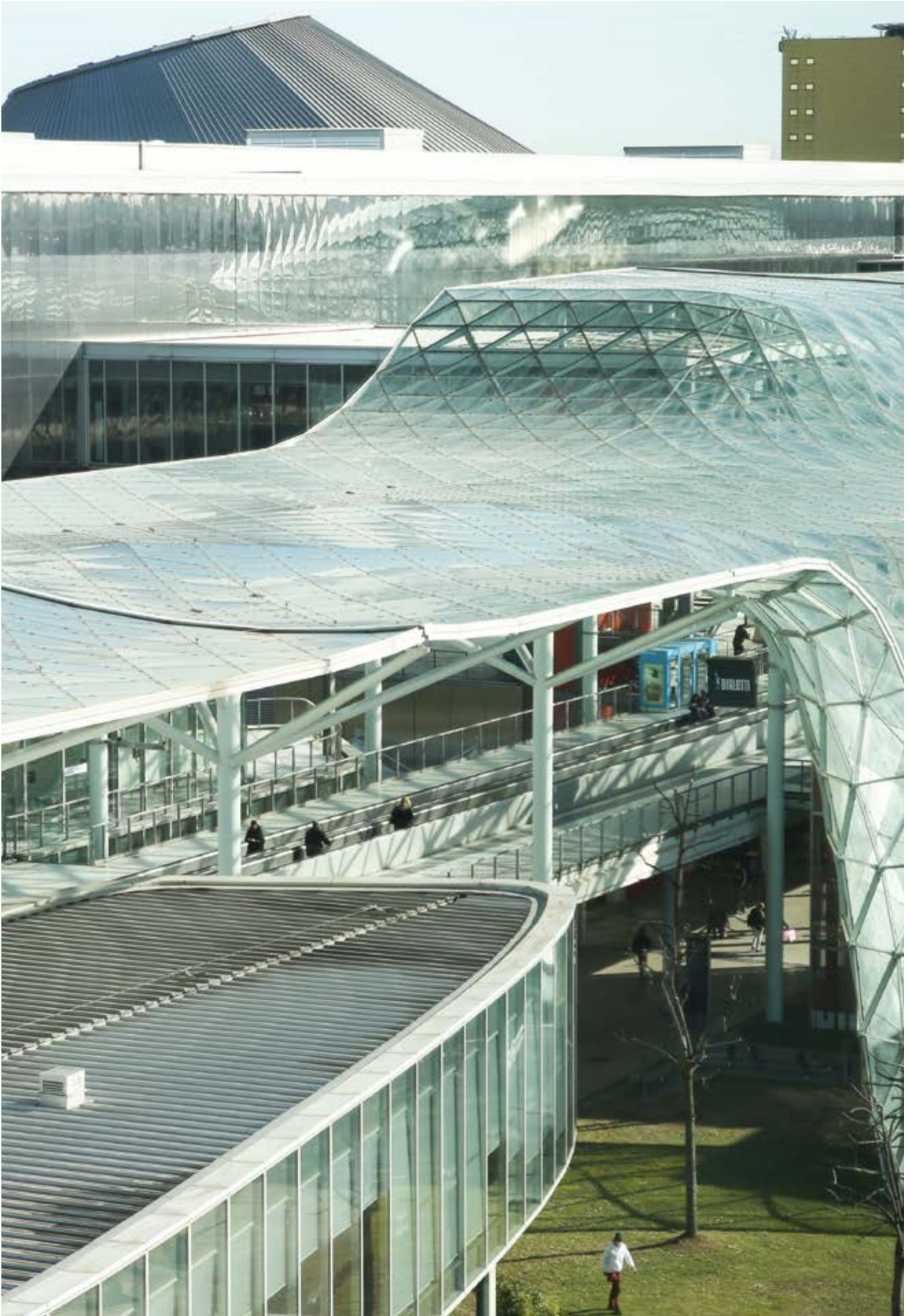
The table below shows equity investments in Fiera Milano SpA and its subsidiaries held by members of the Administrative and Control Bodies, the General Managers and Executives with Strategic Responsibilities, as well as by their spouses not legally separated and children that are minors, directly or through subsidiary companies, trust companies or intermediaries that appeared in the shareholders' register at 31 December 2018 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 31.12.2017	No. of shares acquired	No. of shares sold	No. of shares held at 31.12.2018
<b>Directors</b>						
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	-	-	-	-
<b>Statutory Auditors*</b>						
Riccardo Raul Bauer	Chairperson	Fiera Milano SpA	-	-	-	-
Daniele Federico Monarca	Standing Statutory Auditor	Fiera Milano SpA	-	-	-	-
Mariella Tagliabue	Standing Statutory Auditor	Fiera Milano SpA	-	-	-	-
<b>Statutory Auditors Left**</b>						
Federica Palmira Nolli	Chairperson	Fiera Milano SpA	-	-	-	-
Antonio Guastoni	Standing Statutory Auditor	Fiera Milano SpA	-	-	-	-
Carmine Pallino	Standing Statutory Auditor	Fiera Milano SpA	-	-	-	-
<b>No. of Executives with strategic responsibilities</b>	<b>Company in which shares are held</b>		<b>No. of shares held at 31.12.2017</b>	<b>No. of shares acquired</b>	<b>No. of shares sold</b>	<b>No. of shares held at 31.12.2018</b>
Strategic Executives in charge	Fiera Milano SpA	<b>no. 1</b>	-	-	-	-

\* Appointed on 23 April 2018.

\*\* No longer in office from 23 April 2018.

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 2018

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 contained in the principles and application criteria of Borsa Italiana’s Corporate Governance Code for Listed Companies, as amended in December 2011, July 2014, July 2015 and again in July 2018 (hereinafter the “**Corporate Governance 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 business organisation model must be capable of using the correct means to manage business risks and potential conflicts of interest that can arise between Directors and shareholders and between controlling and non-controlling interests. 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 2019 and Recommendations formulated by the Corporate Governance Committee have been taken into account in the preparation of this Report.

## 1. DESCRIPTION OF THE ISSUER

Fiera Milano, an issuer of shares listed in the STAR segment of the Electronic Equity Market (MTA – *Mercato Telematico Azionario*) regulated by Borsa Italiana S.p.A. (hereinafter “**Borsa Italiana**”), adopts a corporate governance system that meets the requirements of enacted laws, existing regulations and those of Borsa Italiana’s Corporate Governance Code.

The Company, which exercises direction and coordination over its direct and indirect subsidiaries, uses a traditional administration and control model based on the existence of a Board of Directors and a Board of Statutory Auditors.

Fiera Milano qualifies as a Small and Medium Enterprise (hereinafter “**SME**”) under Article 1, paragraph 1.*w-quater*, 1 of Italian Legislative Decree no. 58 of 24 February 1998 (hereinafter the “**Consolidated Finance Act**”). The capitalisation of the Company, in fact, is Euro 242,130,261 with revenue of Euro 196,383,505.00 at 31 December 2018.

\*\*\*\*

On 20 April 2018, Borsa Italiana ordered the reassignment of the Company’s ordinary shares to STAR qualification, as well as their trading in this segment of the MTA market from 30 April 2018.

Following the Judicial Administration measures to which Fiera Milano was subject between October 2016 and September 2017, the Company had asked Borsa Italiana for voluntary exclusion of the shares from the STAR segment, continuing their trading on the MTA market.

In the period of voluntary exclusion from the STAR segment, the Company continued to maintain the corporate governance, disclosure transparency and liquidity requirements in line with the quality standards of that segment.

\*\*\*\*

Fiera Milano publishes a consolidated disclosure of non-financial information, pursuant to Italian Legislative Decree 254/2016, the “Sustainability Report”, which supplements the information contained in the Annual Financial Report, providing details of the performance and key sector indicators from the perspective of sustainability and social responsibility.



## 2. DISCLOSURE ON THE OWNERSHIP STRUCTURE AT 12 MARCH 2019 (ART. 123-BIS, PARAGRAPH 1, CONSOLIDATED FINANCE ACT)

### a. Share capital (art. 123-bis, paragraph 1.a), Consolidated Finance Act)

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 carry one voting right each, 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 2018, the Company had no share-based incentive schemes involving an increase, against payment or free of charge, in the share capital. Pursuant to art. 114-bis of the Consolidated Finance Act, the Shareholders' Meeting of 23 April 2018 approved a new medium/long-term incentive plan called the "Performance Shares Plan 2018-2019", with a hybrid "cash" and "performance shares" structure. In relation to the contents of the Performance Shares Plan 2018-2019, please refer to the Report on Remuneration prepared according to art. 123-ter of the Consolidated Finance Act.

### b. Restrictions on the transfer of shares (art. 123-bis, paragraph 1.b), Consolidated Finance Act)

There are no restrictions on the transfer of shares.

### c. Significant shareholdings (art. 123-bis, paragraph 1.c), Consolidated Finance Act)

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

According to the shareholders' register and communications received pursuant to Article 120 of the Consolidated Finance Act, the shareholders who at 12 March 2019 held, directly or indirectly, shares equal to 5% or more of the share capital were as follows:

Declarant	Direct Shareholder	No. shares	% of Ordinary Share Capital	% of Voting Capital
<b>Fondazione E.A. Fiera Internazionale di Milano</b>	Fondazione E. A. Fiera Internazionale di Milano	45,898,995	63.821	64.666
	<b>Total</b>	<b>45,898,995</b>	<b>63.821</b>	<b>64.666</b>
<b>Milan-Monza-Brianza-Lodi Chamber of Commerce (formerly Milan Chamber of Commerce, Industry and Agriculture)</b>	Parcam S.r.l.	4,689,316	6.520	6.607
	Milan-Monza-Brianza-Lodi Chamber of Commerce (formerly Milan Chamber of Commerce, Industry and Agriculture)	1	0.000	0.000
	<b>Total</b>	<b>4,689,317</b>	<b>6.520</b>	<b>6.607</b>

### d. Shares with special rights (art. 123-bis, paragraph 1.d), Consolidated Finance Act)

No shares with special rights have been issued.

### e. Employee stock options: mechanism for exercising voting rights (art. 123-bis, paragraph 1.e), Consolidated Finance Act)

At 31 December 2018, there were no employee stock option plans.

#### **f. Restrictions on voting rights (art. 123-bis, paragraph 1.f), Consolidated Finance Act)**

There are no restrictions on voting rights.

#### **g. Shareholders' agreements (art. 123-bis, paragraph 1.g), Consolidated Finance Act)**

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

#### **h. Change of control clauses (art. 123-bis, paragraph 1.h), Consolidated Finance Act) and provisions in the Articles of Association regarding tender offers (art. 104 paragraph 1-ter and art. 104-bis, Consolidated Finance Act)**

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

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

#### **i. Mandates to increase the share capital and authorisations for the purchase of treasury shares (art. 123-bis, paragraph 1.m), Consolidated Finance Act)**

In 2018, the Shareholders' Meeting gave no authorisation to the Board of Directors to increase the share capital pursuant to art. 2443 of the Italian Civil Code.

The Ordinary Shareholders' Meeting of 23 April 2018 authorised the Board of Directors 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 one-fifth of shares making up the share capital of the Company, (ii) the purchase price of each share 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 must not be 10% higher or lower than the reference price of Fiera Milano shares on the MTA market organised and operated by Borsa Italiana 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 implement the aforementioned plan.

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

With reference to the total treasury shares indicated above, note that

- 920,768 treasury shares, held directly, were purchased before 2017, also under previous Shareholders' Meeting authorisations;
- 18,250 treasury shares - first held by the subsidiary Ipack-Ima S.p.A. from 2015 - are now held directly by the Company following the merger of Ipack-Ima S.p.A. into Fiera Milano on 6 December 2018 (effective for accounting and tax purposes from 1 January 2018).

#### **l. Direction and coordination (art. 2497 et seq., Italian Civil Code)**

As approved by the General Council of its controlling entity Fondazione Ente Autonomo Fiera Internazionale di Milano on 26 July 2004, Fiera Milano has autonomous organisational and decision-making powers and is not subject to direction or coordination - pursuant to Article 2497 et seq. of the Italian Civil Code - by the controlling entity.

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 or associates operate.

Fiera Milano exercises direction and control over its direct and indirect subsidiaries. These activities are governed by the Regulations on Direction and Coordination (see §12.2).

### 3. COMPLIANCE (ART. 123-BIS, PARAGRAPH 2.A), CONSOLIDATED FINANCE ACT)

Fiera Milano adheres to the Corporate Governance Code, approved by the Corporate Governance Committee of Borsa Italiana in March 2006 and amended in December 2011, July 2014, July 2015 and again in July 2018.

The Corporate Governance Code is publicly available on the website of the Committee for Corporate Governance at <https://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2018clean.pdf>.

The corporate governance structure of Fiera Milano is not affected by non-Italian legal provisions.

### 4. BOARD OF DIRECTORS

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

The paragraph on composition of the Board of Directors describes the current structure of the Board.

#### 4.1 Appointment and replacement (art. 123-bis, paragraph 1.I), Consolidated Finance Act)

As required by law and by the Articles of Association, the appointment of members of the Board of Directors is from lists presented by shareholders who, either alone or in concert with other shareholders, hold at least 2.5% of the Company share capital, as established by the Articles of Association and by Consob Resolution no. 13 of 24 January 2019. The lists must be filed with the registered office of the Company at least twenty-five days prior to the date set for the Shareholders' Meeting on first call and must be made publicly available at least twenty-one days prior to this date in compliance with current regulations.

Ownership of the minimum shareholding required to present lists is based on the shares confirmed as registered to the shareholder on the day on which the lists are filed with the Company. To prove ownership of the minimum number of shares required to present lists, shareholders must submit the relative certification released by authorised intermediaries in accordance with law by the Company's list publication deadline.

Each list must be filed, by the aforementioned deadlines, with (i) information concerning the identity of the shareholders that have presented the list and their percentage shareholding, (ii) statements in which each candidate accepts the candidacy, confirming that there is no cause that would make them ineligible or incompatible and that they meet the necessary requirements for appointment under current regulations, including any independence requirements for Statutory Auditors required by law and by the Corporate Governance Code, and that they do not exceed the limit to the total number of administration and control positions held in other companies, listed or unlisted; the statements of each candidate must confirm possession of 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 from any external influence for the entire term of office, as well as a specific undertaking to dedicate an amount of time to the position consistent with 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 professional *curriculum vitae* from 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 acted in concert 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 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 Consob Regulation no. 11791 approved by resolution dated 14 May 1999, and subsequent amendments and modifications (hereinafter the “**Issuers’ Regulation**”), require that:

- the number of Directors respects the principle of gender balance and guarantees that the least represented gender has at least one third of seats on the Board;
- the way in which the lists are drawn up and the substitution mechanisms for replacing persons during their term of office guarantee compliance with the principle of gender balance;
- the mechanisms used should the elected body not respect the principle of gender balance ensure that some or all of the last 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 compliance with the principle of gender balance, and must be replaced by the first persons that failed to be elected on the same list and belong to the less represented gender.

The Directors must meet the professionalism and integrity requirements according to the 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 skills, 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 members of the Board of Directors must meet the independence requirements for Statutory Auditors according to current law and also the independence requirements established in the Corporate Governance Code. Independent Directors, according to their documented experience, must possess the professionalism to ensure a high level of internal discussion in the Board of Directors and to make an effective contribution to its decision-making process.

The Board of Directors assesses the existence of independence requirements: (i) on the initial appointment of a new Director qualifying as independent; and (ii) on renewal of the appointment of all Directors qualifying as independent.

The Board of Directors will ascertain annually that the requirements for independence of Directors already been appointed are still met. In all cases, an assessment that each Director classified as independent meets the independence requirements must be carried out by the Board of Directors in accordance with the principle of substance over form. Should the requirements for independence, as defined above, be found to be lacking in any independent director, he/she will forfeit the position unless at least the majority of members of the Board of Directors still meets the independence requirements. An independent Director losing their independence requirements during the term of office must immediately inform the Board of Directors. Furthermore, the independence requirement will be considered not met if a Director has already held three consecutive positions as independent director of the Company.

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

The number of independent Directors on the current Board of Directors exceeds the legal requirements (the Consolidated Finance Act) and/or regulatory requirements (the requirements for the STAR segment of the Italian stock exchange and the Corporate Governance Code).

As indicated in the Corporate Governance Code, a Director of a listed issuer is not normally considered independent if he or she:

- a) directly or indirectly, also through subsidiaries, trusts or third parties, controls the issuer or is able to exercise significant influence over the issuer, or is party to a shareholders’ agreement through which one or more parties can exercise control or significant influence over the issuer;

- b) 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 with the issuer, or in a company or entity which, also with others through a shareholding agreement, controls or is capable of exercising significant influence over the issuer;
- c) in the preceding financial year, has or had, directly or indirectly, a significant business, financial or professional relationship with:
  - the issuer, one of its subsidiaries or any member of its top management;
  - an individual who, also together with others through a shareholding agreement, controls the issuer, or – if a company or entity – is connected with any of the related top management;
 or who is, or in the last three financial years has been, an employee of any of the aforementioned entities;
- d) 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 as member of a committee recommended in the Corporate Governance Code, including any incentive plans linked to company performance, comprising those that are share-based;
- e) has been a Director of the issuer for more than nine of the last twelve years;
- f) is an executive Director in another company in which an executive Director of the issuer is also a Director;
- g) is a shareholder or Director of a company or entity belonging to the group of the company that is appointed as auditor to the issuer;
- h) is closely related to a person in any of the situations described above.

### Succession plans

On March 2019, the Company approved a procedure for the succession plan for executive directors with the aim to ensure their prompt replacement in the event of termination from their office different from the natural termination of the mandate, in order to guarantee an orderly succession in the top management positions through a rapid replacement of the discontinued executive directors, thus ensuring the continuity and stability of the management.

The implementation of the succession plan is expected by the end of the first half of 2019.

Pending the formal implementation of the succession plan, if for any reason one or more directors would be 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 and in compliance with rules governing the composition of the Board of Directors established by law and the Articles of Association, identify and assess that the replacement candidates meet the specific requirements of the aforementioned Regulations.

## 4.2 Composition (art. 123-bis, paragraphs 2.d) and 2.d-bis), Consolidated Finance Act)

The current Board of Directors was appointed by the Shareholders' Meeting of 21 April 2017 and the term of office will expire with the Shareholders' Meeting called 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.

On 25 July 2017, the Shareholders' Meeting increased the number of members of the Board of Directors to nine and the latter then appointed Fabrizio Curci as new Director with a term from 1 September 2017 until the expiry date for the term of office of the other Directors. The Board of Directors met at the end of the Shareholders' Meeting and appointed Fabrizio Curci as Chief Executive Officer and General Manager of Fiera Milano 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 2019 giving his/her main personal and professional details, as well as a list of positions held, is given below.

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

Born in Milan on 19 November 1957, he graduated in 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 and until 2018 he was the Chairperson of the Board of Statutory Auditors of Banca ITB S.p.A. and, from 23 April 2015, Chairperson 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 on 25 July 2017 and in office since 1 September 2017. **(Non-independent Executive Director - Chief Executive Officer)**

Fabrizio Curci, Chief Executive Officer and General Manager of Fiera Milano, 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**, Director, appointed by the Shareholders' Meeting of 21 April 2017, meets the requirements for independence under Article 148, paragraph 3 of the Consolidated Finance Act and under the Corporate Governance Code **(Independent Non-executive Director)**

Born in Venice on 21 October 1960, he graduated in Economics. He is currently Chief Executive Officer of Grandi Stazioni Retail S.p.A., Managing Director of Retail Group 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**, Director, appointed by the Shareholders' Meeting of 21 April 2017, meets the requirements for independence under Article 148, paragraph 3 of the Consolidated Finance Act and under the Corporate Governance 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.

For over 30 years she has exclusively practised as a Chartered Accountant and Auditor. She began her career with a prestigious Milan studio, in 1997 going on to establish Studio Chiaruttini & Associati.

Specialising in criminal economics law, market fraud and corporate crises, she has also gained experience with banks and financial institutions as commissioner, member of supervisory committees and curator appointed by the Ministry for the Economy. Since the start of her career, she has specialised in corporate crises and has been a consultant on behalf of business executives and courts, as well as judicial curator and commissioner. From the early 1990s she has played a part in significant listed company restructurings and has prepared and assessed the financial and business plans of companies in difficulty as advisor or expert witness.

Stefania Chiaruttini has gained particular experience in the prevention of administrative liability of companies and entities, holding numerous consulting positions for the preparation of organisational models pursuant to Italian Legislative Decree 231/2001, and accepting appointments as member of the supervisory bodies of banking and industrial companies.

An expert in business assessment, she also works alongside magistrates and major law offices as technical consultant, has held and still holds positions as Statutory Auditor, Director and Receiver in various listed and unlisted companies and is an Official Receiver under Italian Law 270/99 and the Marzano Law.

A speaker at congresses, university courses and post-university masters courses, in Italy and abroad, she is the author of several articles published in specialist magazines.

- **Gianpietro Corbari**, Director, appointed by the Shareholders' Meeting of 21 April 2017, meets the requirements for independence under Article 148, paragraph 3 of the Consolidated Finance Act and under the Corporate Governance 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**, Director, appointed by the Shareholders' Meeting of 21 April 2017, meets the independence requirements pursuant to art. 148, paragraph 3 of the Consolidated Finance Act and the Corporate Governance Code (**Independent Non-executive Director**).

Born in Mirano (Venice) on 4 October 1950, she graduated in Economics from the University of Venice Ca' Foscari. She was a Visiting Scholar at Oxford University, the Said Business School and the University of Toronto, and has taught at the universities of Turin, Venice, Toronto and Oxford. She is currently a tenured Professor of Management at the Università Bocconi of Milan. She is a management consultant in corporate and market strategy. She is the author of numerous international publications on management, also on the exhibition sector. She is a Chartered Accountant and Auditor and is on the register of consultants of the Milan Court for corporate valuations. 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**, Director, appointed by the Shareholders' Meeting of 21 April 2017, meets the independence requirements pursuant to art. 148, paragraph 3 of the Consolidated Finance Act and the Corporate Governance 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. From March 2017 to November 2018, he was the Chief Commercial Officer, Continental Europe, Middle East and Africa for PayPal while continuing in the role of Managing Director of PayPal Italy SE. He is currently the Head of Global Go To Market Strategy for the same digital payments platform.

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

Born in Saronno (Varese) on 13 May 1962, she graduated with honours in Economics from the Università Cattolica del Sacro Cuore in Milan.

Since July 2017 she has been Chief Executive Officer of Società per la Gestione di Attività S.G.A. S.p.A., has held numerous positions in Unicredit S.p.A., the last of which was as Deputy General Manager after being appointed CFO in 2009 and having managed the most important external growth operations of the Group.

She is currently a member of the Investors Committee of the Italian Recovery Fund (formerly Atlante II) and a member of the Board of Directors of Valentino.

- **Elena Vasco**, Director, appointed by the Shareholders' Meeting of 21 April 2017, meets the independence requirements pursuant to art. 148, paragraph 3 of the Consolidated Finance Act and the Corporate Governance Code (**Independent Non-executive Director**).

Born in Hartford (USA) on 31 December 1964, she graduated with honours in Economics 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 May 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 of group companies 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. She is also Deputy Chairperson of the Board of Directors of Fondazione La Triennale di Milano.

With the exception of the Chief Executive Officer, all 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, Italian or foreign, or in financial, banking or insurance companies or companies of significant size, please refer to the section above and Table 1 of this Report.

Note that the number of independent directors shown above exceeds the minimum ratio to the total number of Board Directors required under prevailing laws and regulations.

The Board of Directors verified the independence requirements of the Directors at its Board meeting on 12 February 2019, by obtaining self-certification from each Director, now held on Company records. On the aforementioned date, the Board of Statutory Auditors, as part of their duties under the law, certified that the Board of Directors had correctly applied the criteria and procedures for ascertaining and evaluating the independence of its members. The Chairperson of the Board of Directors and the Chairperson of the Board of Statutory Auditors therefore confirmed that the independence requirements were met by the aforementioned Directors.

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

#### **Diversity criteria and policies**

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 Articles of Association, the composition of the Board of Directors must meet the legal requirements for gender balance. Moreover, the composition of the Board must reflect adequate diversity in terms of skills, experience, age, gender and international profile.

On 10 July 2017, the Board of Directors adopted the "Regulations of the Board of Directors of Fiera Milano S.p.A.", prepared in accordance with the provisions of current law and the Corporate Governance Code for Listed Companies, which identifies further requirements for Directors in addition to those required by law.

Also note that more than one-third of members of the Board of Directors of Fiera Milano are of the less represented gender, i.e. female, as also envisaged in the Corporate Governance Code and which, in addition to gender diversity, are also suitably represented by other generational and professional diversities.

In general, as regards composition of the Board of Directors, a priority objective was to ensure that members have appropriate expertise and professionalism in order to ensure effective action.



### Total number of positions held in other companies

As required by the Company Articles of Association, in its Regulations the Board of Directors stipulated the maximum number of administration and control positions that can simultaneously be held by any Director to ensure that responsibilities as a Director of the Issuer are performed effectively.

The "Regulations of the Board of Directors of Fiera Milano S.p.A." specifies the total number of positions that may be held by all members of the Board of Directors. Where more rigorous, the limits on cumulation of office envisaged in *pro tempore* legal and regulatory provisions prevail. 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 10 (ten) days of learning this fact, inform the Company of how the limit has been exceeded and, within 90 (ninety) days, resign from one or more of the positions held. Within 5 (five) days of resigning, the member of the Board of Directors must communicate the position or positions from which he/she has resigned.

The limits to the total number of administration, direction and control positions under the Regulations of 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
<b>Chief Executive Officer</b>	no	2	5
	Executive positions	Non-executive positions or positions without control	Total no. of positions
<b>Chairperson</b>	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
		3	5
	Executive positions	Non-executive positions or positions without control	Total no. of positions
<b>Non-executive Directors</b>	3	When executive positions are also held	10
		5	
		When executive positions are NOT held	
		7	

In accordance with the Regulation:

- executive positions refer to: 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 refer to: members of the Board of Directors with no executive responsibilities, members of the Supervisory Committee and members of the Board of Statutory Auditors;
- companies of material size refer to 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 according to law, any political or trade union positions are also considered incompatible.

### Induction programme

In 2018, the Chairperson and Chief Executive Officer provided adequate information to the Board of Directors on the exhibition sector in which Fiera Milano operates, on the business organisation and its evolution and on the reference legal framework.

Moreover, at meetings held during the year under review, 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.

### 4.3 Role of the Board of Directors (art. 123-bis, paragraph 2.d), Consolidated Finance Act)

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 to achieving the corporate purpose, with the exception of actions which, by law, are the prerogative of the Shareholders' Meeting.

In addition, pursuant to Article 17.1 of the 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 cases of withdrawal by shareholders;
- (iv) alignment of the Articles of Association to regulatory requirements;
- (v) transfer of the Company's registered office within the Province.

Under art. 17.2 of the 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, on its own account, of shares, shareholdings or interests in other companies, including newly constituted companies, and the transfer of option rights, except 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 effectiveness 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) bank guarantees to third parties granted by the Company;
- (h) the stipulation of contracts concerning property assets, with the sole exception of property leases taken out for Company activities for periods not exceeding six years;
- (i) the purchase, sale, creation, rental and stipulation of licences for patents, trademarks, models, internet domains and/or websites, satellite or cable TV channels, publications, copyright and similar, and all intellectual property rights in general, relating to the corporate purpose;
- (j) the award of consulting, service and other assignments exceeding Euro 100,000 not envisaged in the budget to parties in any case extraneous to the Board;
- (k) the appointment of the General Manager and a Deputy General Manager, if required, at the proposal of the Chief Executive Officer, if appointed, and decisions regarding their powers; other senior managers, including in the internal audit 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 accounts;
- (m) 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 Internal Audit Manager 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 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, letter b) of the Articles of Association;
- all extraordinary administrative measures.

The Regulations of the Board of Directors aim to bring the organisation and operations of the Company's Board of Directors in line with current law, the Articles of Association, the Corporate Governance Code and internal governance procedures.

Together with their attachments, the Regulations of the Board of Directors govern the appointment and composition, the operating methods, responsibilities, powers and funds of the Board of Directors, the assessment procedure and amendments to the Regulations. Any omission in the Regulations is covered by the provisions of laws and regulations *ratione temporis*.

Board of Directors' meeting 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 in cases envisaged by law.

The corporate calendar is available on the Company website [www.fieramilano.it](http://www.fieramilano.it) in the section *Investor Relations/Financial Calendar*.

The Chairperson ensures the proper conduct 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 confidentiality of the data and information given is maintained. In the absence or impediment of the Chairperson, Board of Directors' meeting are chaired by the most senior independent Director by age.

Under the 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 made on absolute majority vote of Directors present. In case of a split outcome, the meeting Chairperson will have the casting vote.

Under art. 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.

In the Regulations of the Board of Directors, the Board has identified a fair and suitable deadline, prior to Board of Directors' meetings, for the receipt of documentation and information necessary to allow them to speak knowledgeably on the topics submitted for their examination and approval.

The Board of Directors decided that the appropriate advance period for documentation given to Directors and Statutory Auditors ahead of Board meetings, as indicated in the Regulations of the Board of Directors, was three days prior to the date of a meeting, except in emergency situations when the documentation will be made available as soon as possible. The documents relating to approval of the draft financial statements and interim financial reports must instead be submitted at least 7 days prior to the date set for the Board of Directors' meeting. The Chairperson ascertains that the aforementioned information has been provided to the Directors and the Statutory Auditors, confirming this at the start of the meeting. During the year ending 31 December 2018, compliance with deadlines was a constant focus of the Chairperson and Chief Executive Officer, to ensure the adoption of suitable Board decisions, and general compliance with the deadlines was confirmed.

The relevant Company department prepares support documentation by compiling information and/or decision-related 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> - Consiglio di Amministrazione folder). The members of the Board of Directors and interested parties 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.

Reports presented and decisions made at Board of Directors' meeting are minuted. Under the 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, which must be submitted to the Secretary. The final version of the minutes, prepared by the Secretary, is approved at the next Board meeting and signed off by the Chairperson and the Secretary to the Board and included in the Company records.

During the year ending 31 December 2018, the Board of Directors met 9 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 3 hours 30 minutes. At the date of approval of this Report, 2 Board meetings had been held during the current year.

The members of the Board of Directors have declared and have guaranteed that they will effectively carry out their roles and dedicate the necessary time to them. This was also confirmed by the significant number of Board of Directors' meetings held in 2018 and by the high attendance rate of Directors at those meetings.

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

#### 4.4. Delegated Corporate Bodies

##### Chairperson of the Board of Directors

Pursuant to art. 18 of the Articles of Association, the Chairperson of the Board of Directors is appointed from among the directors originally meeting the independence requirements indicated in the Articles of Association. In addition to his legal responsibilities, the Chairperson of the Board of Directors has further duties, pursuant to specific requirements 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. In particular, he convenes and sets the agenda for the Board of Directors, encourages internal discussion, promotes the actual operations of the corporate governance system, ensuring the balance of powers with respect to 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 sufficiently 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, the Board of Directors' committees and the Internal Audit Department.

The Chairperson of the Board of Directors supervises and coordinates with the Chief Executive Officer on external institutional relations and then arranges their implementation.

The Chairperson of the Board of Directors cannot be assigned any executive role.

Under Article 13 of the Articles of Association, the Chairperson manages Shareholders' 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 voting.

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

### Chief Executive Officer

On 25 July 2017, the Ordinary Shareholders' Meeting of Fiera Milano approved an increase in the number of Board Directors to nine and appointed Fabrizio Curci as the new Director effective from 1 September 2017 until expiry of the term of office of the other Directors, i.e. until the Shareholders' Meeting held to approve the financial statements at 31 December 2019. The Board of Directors met at the end of the Shareholders' Meeting and appointed Fabrizio Curci as Chief Executive Officer and General Manager of Fiera Milano 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 Articles of Association and any other matters that remain the responsibility of the Board of Directors.

On 25 July 2017 and effective from 1 September 2017, further amended on 18 September 2017 and 22 May 2018, the Board of Directors invested Mr Curci with the following powers:

1. as part of the corporate activities, to stipulate, amend and conclude property leases with annual instalments of no more than Euro 2,000,000.00 per transaction and for periods not exceeding six years;
2. to stipulate, amend and conclude consultancy and cooperative agreements, contracts for the use of intellectual property and professional services in general for an amount or commitment never exceeding Euro 1,000,000.00 per transaction, without prejudice to the fact the Board of Directors remains responsible for appointments, consultancies and services for over Euro 100,000.00 that are not within budget limits and in any event given to parties outside the Board of Directors;
3. to negotiate and carry out cash transactions in foreign currencies for a maximum amount of Euro 2,000,000.00;
4. to acquire, dispose of and negotiate derivative contracts (swaps, futures and options) with the proviso that such transactions may only be carried out to hedge interest rate, price, and exchange rate risks and to hedge against fluctuations in share prices or other financial instruments held by the Company, and always for a notional amount not exceeding Euro 2,000,000.00 per transaction;
5. to comply with legal requirements governing 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 securities 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 1,000,000.00 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 5,000,000.00, 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 request without limits bank and/or insurance guarantees, letters of guarantee and general reliance letters in compliance associated with a request for reimbursement of taxes and/or duties 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 1,000,000.00 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 Italian 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 200,000.00), 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 letter (b) of the 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 individuals, 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 2,000,000.00 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 and sale contracts, loan for use, hire, agency and carrier services agreements for sums not exceeding Euro 20,000,000.00 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 and/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 5,000,000.00 for any single transaction;
25. to stipulate, amend and cancel procurement contracts for the purchase of technologies, products and services in the fields of IT, electronic, telecommunications and office automation technology, for sums not exceeding Euro 2,000,000.00 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 et seq. of the Italian Civil Procedure Code;
28. to intervene in bankruptcy proceedings, file creditor claims in those bankruptcy proceedings, 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 and 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 issue instructions, organise, manage and control, with fully independent decision-making and spending powers, compliance as part of the Company's activities of all obligations envisaged in Regulation (EU) 2016/679 - the General Data Protection Regulation - and Italian regulations on personal data protection and related amendments, as well as adopt all measures necessary for this purpose, and to represent the Company as data processing controller with the right to sub-delegate all or part of the aforementioned powers and/or assign the duty of complying with such obligations to other internal (executives, employees) or external parties (consultants);
34. to assign and revoke responsibilities and general and/or special powers for specific acts or categories of acts within the limits of the powers assigned;
35. in accordance with Article 19 of the Articles of Association, to have 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 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 Corporate Governance 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.

Lastly, by decision of 13 December 2018, the Chief Executive Officer was granted powers to negotiate, authorise and sign transactions involving the temporary commitment of liquidity through available funds of Fiera Milano, in compliance with the provisions of the Financial Resources Management Policy as approved by the Board of Directors, up to a limit of Euro 20 million per investment, with the option as part of the delegated powers to grant special power of attorney for certain actions or categories of actions with a limit of Euro 10 million per investment.

In addition, the Board of Directors assigned further roles and responsibilities to the Chief Executive Officer, in particular the role of Director appointed to oversee the internal control and risk management system, pursuant to indications in the Corporate Governance Code; appointment as Statutory Employer of Fiera Milano under Article 2, paragraph 1, letter B) of Italian Legislative Decree 81/08 and designating him as the person responsible for environmental safety and protection, with all the necessary executive, management and decision-making powers and funds required to ensure compliance with laws regarding environmental safety and protection.

The Chief Executive Officer reports to the Board of Directors, at least quarterly and whenever the Board meets, on his activities, the operating performance and business outlook, 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. adopting all necessary measures to ensure the regular operations 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 whether 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 efficiency improvement proposals and defining the responsibility matrix and the organisational structure;
11. supervising the work organisation;
12. ensuring strict compliance with laws, internal regulations and instructions;
13. overseeing the scheduling of periodic assessments, workloads, service and operating unit productivity.



#### 4.5 Self-appraisal by the Board of Directors

Pursuant to the Corporate Governance Code and art. 12.1 of the Regulations of 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 Regulations of the Board of Directors of Fiera Milano.

This Report includes notification that the appraisal has been done and, where considered appropriate, indicates the results.

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 involves the following steps:

- 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, meeting duration and matters discussed;
- the use of 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 obtained regarding compliance with the law, best governance practices and the Regulations of the Board of Directors regarding board member profiles;
- final assessment of information deriving from the self-appraisal questionnaires;
- formalisation of the results in the relevant document indicating the methodology used and the results obtained.

In particular, during the meeting of 13 December 2018, the Board of Directors, as owner of the self-appraisal process and with a view to continuous improvement of Board operations and governance processes, integrated this process by approving (i) strengthening of minimum areas identified for the annual appraisal process, to also guarantee efficiency of the Control and Risk Management Committee and the Appointments and Remuneration Committee; (ii) integration of the self-appraisal questionnaire on Board operations by adding a further 10 questions.

For the correct discharge of the self-appraisal process, each Director completed the following to the extent of his/her responsibilities:

- the Board of Directors self-appraisal questionnaire;
- the self-appraisal questionnaire for committee members, where appropriate;
- the checklist certifying personal requirements and expertise;
- a personal details record;
- the *curriculum vitae*.

The results of the process, relating to self-assessment of the operations, membership and number of members of the Board of Directors and its committees in reference to 2018, were obtained through the active cooperation of all Directors and were processed with operating support from the Secretariat of Fiera Milano.

In particular, as part of the self-assessment carried out for the year ending 31 December 2018, specific areas of competence were identified as essential within the Board of Directors. These were:

- knowledge of the exhibition sector;
- experience of corporate management and/or business organisation acquired through administration, direction or 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 professional activities in companies or groups with an international profile.
- knowledge of remuneration packages (i.e. added by Board decision of 13 December 2018 among the skills that the Board of Directors must possess as a whole);
- business risk management (i.e. added by Board decision of 13 December 2018 among the skills that the Board of Directors must possess as a whole);

The self-appraisal, under the supervision of the Chairperson of the Board of Directors, was carried out by each Director completing a questionnaire in aggregate and anonymous form; the results were presented during the Board Meeting of 12 February 2019.

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.

The results of the questionnaire showed that the Board of Directors believes that the number of members, composition, *modus operandi*, pre-meeting information and information flows between the Board of Directors and other corporate bodies are considered adequate. In addition, at the time of the appraisal, members of the Board of Directors had the opportunity to indicate specific areas for further improvement so as to ensure greater efficiency of its operations, and to formulate proposals for training and further study.

#### 4.6 Independent Directors

During 2018, the Independent Directors actively contributed to the corporate decisions adopted. Note in this respect that, as detailed below, the Appointments and Remuneration Committee is primarily composed of Independent Directors and the Control and Risk Management Committee 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.

The continued possession of independence requirements of Directors is verified annually on the basis of criteria established in the Corporate Governance Code and other regulatory measures in force.

At the time of the self-appraisal, each Director provided self-certification to confirm whether these requirements were met in accordance with provisions of the Corporate Governance Code.

#### 4.7 Lead Independent Director

Pursuant to the Corporate Governance Code, companies not listed on the FTSE-Mib index are required to appoint a Lead Independent Director only in the following cases: (i) if the Chairperson of the Board of Directors is the company's Chief Executive Officer; (ii) if the office of Chairperson is covered by the person who controls the issuer.

For this reason, as Fiera Milano is under no such obligation, at the meeting of 2 May 2017 the Board of Directors decided not to appoint a Lead Independent Director.

## 5. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS (ART. 123-BIS, PARAGRAPH 2.D), CONSOLIDATED FINANCE ACT)

The Board of Directors, in compliance with the provisions of the Corporate Governance 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 Corporate Governance Code and corporate governance best practices.

In particular, as regards the Appointments and Remuneration Committee, the Company decided to continue grouping together the activities relating to remuneration and appointments under a single committee, in view of the fact that the approach was confirmed capable of achieving the objectives established by the Corporate Governance Code, and given the limited size of the Company and the high degree of ownership concentration at 31 December 2018.

Special regulations approved by the Board of Directors govern the work of these Committees.

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

### 5.1 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 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 and makes recommendations on appointments and remuneration matters. In particular:

- for remuneration:
  - a. presents the Report on Remuneration to the Board of Directors for its approval, particularly the remuneration policy, that will be presented to the Shareholders' Meeting convened to approve the financial statements as required by law;
  - b. prepares proposals for the remuneration of the Chairperson and 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 instructions from the Chief Executive Officer and proposes:
    - d.1 annual and long-term incentive schemes, including share-based;
    - d.2 criteria for all types of remuneration of top management and those that could be part of any long-term incentive schemes;
    - d.3 identifies performance targets and the corporate results achieved in relation to the performance plans 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;

- for appointments:
  - 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 for inclusion in the Board;
  - i. without prejudice to the Regulations of the Board of Directors of Fiera Milano (paragraphs 1.3. and 3.1), it offers opinions 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 opinions regarding any 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.

The members of the Appointments and Remuneration Committee, in office until approval of the financial statements at 31 December 2018, are the Directors: Alberto Baldan, Marina Natale and Elena Vasco, who acts as Chairperson. Members of the Appointments and Remuneration Committee have the necessary experience to carry out their assigned duties with respect both to appointments and remuneration.

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

During the financial year ended 31 December 2018, the Committee held 4 duly minuted meetings and carried out its responsibility to table proposals to the Board of Directors. The average duration of the meetings of this Committee was approximately 1 hour and 45 minutes. At the date of approval of this Report, 3 meetings had been held in the current financial year.

At the first opportunity, the Committee Chairperson arranges for the Board of Directors to be informed of issues of particular significance or of interest raised during the meetings.

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:
  - amending the "Appointments and Remuneration Committee Regulations";
  - assessing amendments to be made to the "Regulations on the appointment of corporate bodies of investees";
  - support in assessing the appointments of Chief Executive Officers of Group companies;
- for remuneration:
  - examining the MBO (management by objectives) system and the progress status of the stock option plan;
  - analysing the stock option plan pursuant to art. 114-bis of the Consolidated Finance Act and related implementing rules;
  - 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;

- proposing settlement of the MBO Bonus, performance bonuses and one-off bonuses for 2017;
- examining the short-term incentives plan for 2019;
- assessing the remuneration attributed to the Supervisory Committee, pursuant to Italian Legislative Decree 231/2001 as sole supervisory body of La Fabbrica del Libro S.p.A.;
- acknowledging remuneration attributed to the corporate bodies of Italian companies in the Fiera Milano Group.

## 5.2 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 who, in accordance with the 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 of appointment.

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 relating to approval of interim financial reports and the disclosure of non-financial information (hereinafter “NFI” – Non-financial Information).

The Committee meets periodically with a frequency suited to correctly carrying out its duties. It in any event meets to approve the annual financial statements, the six-month interim financial statements and the NFI.

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 guidelines for 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 effectiveness 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, the coordination methods adopted by parties involved and the assessment of its adequacy;
- to express a considered opinion on the interests of the Company and on the substantial fairness 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. 17221/10 and related organisational implementing rules;
- to express a considered opinion on specific aspects regarding identification of the main corporate risks;
- in collaboration with the Manager responsible for preparing the Company accounts and having requested opinions of the Independent Auditors and the Board of Statutory Auditors, to assess the correct application of accounting principles, as well as their consistent application across the Group for the purpose of 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 audit plan prepared by the Head of Internal Audit and to examine the periodic assessment reports of the Internal Audit Department on 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 letter of recommendation and in the report on any fundamental matters under Article 19, paragraph 3 of Italian Legislative Decree no. 39/10 emerging from the independent audit;
- to express a compulsory 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, effectiveness and efficiency of the Internal Audit Department;
- 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;
- after 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 Audit 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 Italian 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 duties and may also use external consultants.

The current members of the Control and Risk Management Committee are the directors Stefania Chiaruttini, acting as Chairperson, Francesca Golfetto and Angelo Meregalli.

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

In the year ending 31 December 2018, the Control and Risk Management Committee held 9 duly minuted meetings. The average duration of the meetings of this Committee was approximately 1 hour and 40 minutes. At the date of the approval of this Report, 2 meetings had been held in the current financial year.

During the financial year under review, subject to approval of its action plan and to the extent of its responsibilities, the Control and Risk Management Committee expressed its opinion on the following:

- the merger of Ipack-Ima S.p.A.;
- the "Impairment Test Procedure";
- the "ERM Policy - Enterprise Risk Management", presentation of the ERM Risk Assessment and related reports;
- the annual Internal Audit Plan and periodic reports on activities performed;
- related-party transactions, as well as amendment of the text of the "Procedures for Related-Party Transactions" and related operating and implementing instructions;

- amendment of the agreement for the joint venture between Fiera Milano and Ucima (Ipack Ima S.r.l.);
- the "Procedures for preparation of the Disclosure of Non-Financial Information (NFI) pursuant to Italian Legislative Decree 254/2016";
- 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;
- monitoring the audits and operations of Group shared services;
- revisions to internal regulations, manuals and policies of the Company including those newly adopted;
- updates in relation to implementation of the "Privacy Project";
- activities relating to Italian Legislative Decree 231/2001;
- periodic reporting and monitoring of whistleblowing procedures;
- the framework agreement between Fondazione Ente Autonomo Fiera Internazionale di Milano and Fiera Milano and Fiera Milano Congressi S.p.A. in relation to the "Safe and Smart District" project;
- the simplification of procurement contracts;
- extraordinary transactions relating to foreign subsidiaries;
- the tender contract signed for the management of catering points at the Rho exhibition site;
- the updating of guidelines for activities of the Manager responsible for preparing the Company accounts;
- the cash pooling agreement signed by Fiera Milano and Fiera Milano Congressi S.p.A., Fiera Milano Media S.p.A. and Nolostand S.p.A.;
- the internal control system report;
- 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, measuring, 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 substantive and procedural fairness of the main economic, equity and financial transactions with related parties.

## 6. REMUNERATION OF THE BOARD OF DIRECTORS

The variable part of the remuneration of the Chief Executive Officer and the Executive with Strategic Responsibilities is linked to achievement of the specific performance targets, indicated in advance and determined in accordance with the Remuneration Policy approved by the Board of Directors. For details, 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 (see Section II, Paragraph I, of the Report on Remuneration prepared in accordance with Article 123-ter of the Consolidated Finance Act);
- remuneration of executives with strategic responsibilities (see Section II, Paragraph II, of the Report on Remuneration prepared in accordance with Article 123-ter of the Consolidated Finance Act);
- indemnity payable to the Chief Executive Officer in the event of resignation, dismissal or termination of contract (see Section II, Paragraph I, of the Report on Remuneration prepared in accordance with Article 123-ter of the Consolidated Finance Act).

## 7. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system of the Company and the Group is made up of a set of rules, procedures and organisational structures designed to identify, measure, manage and monitor the main risks. It contributes to the conduct of the Company and the Group, consistent with the corporate purposes established by the Board of Directors of the Parent Company, and encourages the adoption of informed decisions. It assists in ensuring: (i) the protection of equity, (ii) efficient and effective corporate procedures, (iii) reliability of financial reporting to corporate bodies and the market, and (iv) compliance with applicable laws and regulations, the Articles of Association, and internal procedures.

The 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 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 appropriate actions to mitigate these effects, and to monitor relative exposure over time.

In order to achieve this Fiera Milano has compiled a catalogue of Group risks and a risk mapping and risk scoring methodology. Specifically, the Group consolidated process entails periodic:

- i. updating of the risk catalogue according to the strategies pursued and the organisational and business model adopted;
- ii. assessment of the risks by the management of Fiera Milano and 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 the formulation of appropriate management strategies/actions and related implementing responsibilities.

The organisational monitoring for the ERM process is guaranteed by the establishment of the Risk Management Department, responsible for supporting the planning, design and implementation of the global business risk management process and subsequent 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 periodically informed of the process results.

### 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 reporting process as both are elements of the overall internal control and risk management system of Fiera Milano Group. Note 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, assess 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 reporting. 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 Italian Legislative Decree 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:

- identification of processes, risks and controls;
- definition and updating of 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 referred to in the adopted model, and included in the macro-categories listed above, are summarised below.

#### **Identification of processes, 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 mapping of administrative and accounting processes and then the formulation and assessment of controls to mitigate 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 financial reporting preparation process.

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.

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 practices: 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 IT structures.

The administrative and accounting model, in line with reference best practices, 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.

**Definition and updating of administrative and accounting procedures**

Based on the results of activities to identify 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 system and monitors the various phases of the process for defining or updating the procedures.

In particular, the administrative and accounting procedures are updated 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, specific audit activities are planned to ascertain correct implementation of the controls incorporated in the administrative and accounting procedures. The control, analysis and audit activities for 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 control testing 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 financial reporting dates.

From 2017, 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 Audit 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 tests carried out on each key control and indicates any shortcomings 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 the administrative and accounting control model over time, it should be noted that specific information flows have been defined between the Manager responsible for preparing the Company accounts 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 condensed six-month interim financial statements, the interim report on operations and, more in general, any information subject to attestation/declaration by the Manager responsible for preparing the Company accounts. The accounting and administrative control 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 employees involved in the Enterprise Risk Management processes 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 15, as referred to in Article 18, paragraph 1 of the Regulation on Markets adopted by Resolution no. 20249 of 28 December 2017, the Company and its subsidiaries have administrative and accounting systems which allow public disclosure of the accounting positions used to prepare the consolidated financial statements of companies to which this law is applicable, and which permit the regular communication of data to the Parent Company management and its independent auditors as required to prepare the Consolidated Financial Statements.

Therefore, the conditions exist under the aforementioned Article 15, letters a), b) and c) of the Consob Regulation on Markets.

### 7.1 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 responsibilities under Article 7 of the Corporate Governance Code governing internal control and the risk management system to the Chief Executive Officer, Fabrizio Curci.

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

The Internal Audit Department performs third level, independent and assurance controls designed to audit and assess the operations and adequacy of the Internal Control and Risk Management System (ICRMS) and related organisation, with the duty of:

- auditing the operations and adequacy of the ICRMS as a whole compared to the size and business operations of the Fiera Milano Group, providing assessments and recommendations;
- providing support to Top Management and management on ICRMS issues.

In line with reference best practices, the Board of Directors approved the Internal Audit Manual which defines the aims, powers and responsibilities of the Internal Audit Department.

The Head of Internal Audit, Basilio Postiglione, was appointed at the considered proposal of the Director responsible for the internal control system by the Board of Directors of Fiera Milano at its meeting of 10 July 2017, after obtaining opinion in favour from the Control and Risk Management Committee and after consulting the Board of Statutory Auditors.

The Internal Audit Department is not responsible for any area of operations and reports to the Chairperson of the Board of Directors, so as to ensure its independence and autonomy and its direct access to information useful in carrying out its duties.

The remuneration of the Head of Internal Audit is defined by the Chief Executive Officer, in agreement with the Chairperson, and is updated in compliance with company remuneration policies and with due regard to the role covered.

In particular, the Head of Internal Audit:

- on an ongoing basis and in relation to specific needs, in compliance with international standards, audits the operations and suitability of the Internal Control and Risk Management System, taking into consideration the characteristics of the Fiera Milano Group and the risks identified. After obtaining an opinion from the Director responsible for the internal control system, the Control and Risk Management Committee and the Board of Statutory Auditors, he prepares an annual Audit Plan for submission to the Board of Directors for approval;
- prepares periodic reports containing adequate information on his activities, the risk management methods and compliance with defined risk containment plans. The periodic reports contain an assessment of the adequacy and effectiveness of the Internal Control and Risk Management System;

- promptly prepares reports on particularly significant events;
- submits the aforementioned reports to the Control and Risk Management Committee, the Board of Statutory Auditors and the Chairperson of the Board of Directors, as well as to the Director responsible for the internal control system;
- as part of the audit plan, audits the reliability of the IT systems, including accounting records systems.

In order to perform the assigned duties, in addition to the Head of Internal Audit, the Internal Audit Department has four members of staff with specific skills relating to internal control and economic and financial matters.

If considered appropriate and subject to authorisation of the delegated bodies, the Head of Internal Audit can also make use of external audit professionals or tools to support activities.

### 7.3 Organisational model pursuant to Italian Legislative Decree 231/01

The Company has adopted an Organisation, Management and Control Model in accordance with Italian Legislative Decree 231/01.

As a result of its need to guarantee transparency and correctness in the conduct of its corporate affairs, the Company considered it appropriate to adopt an Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01 (hereinafter the “**Model 231**”), which was most recently updated on 13 December 2018, particularly the General Section and Special Section relating to “Occupational Health and Safety offences”.

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 Italian Legislative Decree 231/2001; the governance system and the organisational structure of the Company; the methodology used to identify and map the sensitive processes/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 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.

As an attachment, the Code of Ethics of the Fiera Milano Group (hereinafter the “**Code of Ethics**” or “**Code**”) is included to complete and form an integral part of the Model.

The Code of Ethics clearly defines the set of values recognised, accepted and shared by the Company and the responsibilities it assumes both internally and externally. Compliance with the Code of Ethics by employees of Fiera Milano is of fundamental importance to the operations, 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 website [www.fieramilano.it](http://www.fieramilano.it) in the section *Investor Relations/Corporate Governance/Model 231*, as is the Code of Ethics, published 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 employees were implemented.

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

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

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

With reference to the unlisted Italian 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 Italian Legislative Decree no. 231/01 and which do not have their own Organisation, 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.

## 7.4 Independent Auditors

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

## 7.5 Manager responsible for preparing the Company accounts

After previously seeking opinion in favour from the Board of Statutory Auditors, on 11 May 2018 the Board of Directors of the Company appointed Marco Pacini, previously Chief Financial Officer of the Fiera Milano Group from 13 November 2017, as Manager responsible for preparing the Company accounts. At the same time, through the appropriate delegation of responsibilities, the Board granted him 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 Articles of Association require this Manager to be an expert in matters of administration, finance and control and to meet the same integrity requirements as Statutory Auditors under current legislation. The Manager's appointment is for three financial years and must not exceed the term of office of the Board of Directors that made the appointment.

## 7.6 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 and Head of Compliance; iii) attendance by the Head of Internal Audit and Head of Compliance at the meetings of the Supervisory Committee under Legislative Decree 231/01.

## 8. BOARD OF STATUTORY AUDITORS

### 8.1 Appointment of Statutory Auditors

The Articles of Association currently require that the appointment of Statutory Auditors is 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 acted in concert 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 Articles of Association and by Consob Resolution no. 13 of 24 January 2019. A shareholder who intends to present a list of candidates and who does not own a controlling interest or the relative majority of the share capital of the Company must deposit a declaration stating the absence of any relationship with the controlling shareholders, as required by the regulatory provisions. The lists must be filed with the registered office of the Company at least twenty-five days prior to the date set for the Shareholders' Meeting on first call and must be made publicly available at least twenty-one days prior to this date.

Ownership of the minimum shareholding required to present lists is based on the shares confirmed as registered to the shareholder on the day on which the lists are filed with the Company. To prove ownership of the minimum number of shares required to present lists, by the deadline for publication of the lists by the Company the shareholders must provide the relative certification issued by the authorised intermediaries in accordance with law.

Each list, deposited at least twenty-five days before the date fixed for the Shareholders' Meeting on first call, 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 indicates the administration and control positions held.

The lists presented by shareholders must have two sections: one 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 4 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 periodically in force.

To meet the requirements of Article 148, paragraph 1-*bis* of the Consolidated Finance Act and Article 144-*undecies*.1 of the Issuers' Regulation regarding the appointment and replacement of members of the Board of Statutory Auditors, the 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 Articles of Association are available on the Company website [www.fieramilano.it](http://www.fieramilano.it) in the section *Investor Relations/Corporate Governance/Articles of Association*.

### 8.2 Diversity criteria and policies

Under Article 20 of the Articles of Association and in compliance with provisions of the Corporate Governance Code, the Board of Statutory Auditors is well represented in terms of gender diversity - as it has three Standing Statutory Auditors of which at least one is of the least represented gender and two Substitute Statutory Auditors, one of each gender - and also in terms of generational diversity as its members come from various age and professional ranges.

The replacement procedure complies with the requirement for gender balance.

The members of the Board of Statutory Auditors must also meet the integrity, professionalism and independence requirements of laws and regulations; they must also be independent under the criteria required of directors in the Corporate Governance Code. In this context, as part of its annual assessment, the Board of Statutory Auditors verified the independence requirements by obtaining self-certification from each of its members, now held on Company records, and reported the results to the Board of Directors.

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 skills and experience to carry out the role.

### 8.3 Composition of the Board of Statutory Auditors (art. 123-bis, paragraphs 2.d) and 2.d-bis), Consolidated Finance Act)

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of 23 April 2018, based on a single list presented by the controlling shareholder, Ente Autonomo Fiera Internazionale di Milano, and will remain in office until approval of the Financial Statements at 31 December 2020.

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

**Riccardo Raul Bauer**, Chairperson of the Board of Statutory Auditors of Fiera Milano since 23 April 2018.

Born in Milan on 12 January 1951, he graduated in Economics from the Università Cattolica del Sacro Cuore in Milan in 1983. He has been a practising Chartered Accountant since 1984 and is on the National Register of Auditors.

He is a founder member of Studio OMNIA, where he practises his profession under consulting and assistance assignments in business acquisitions of leading Italian group, with *pro veritate* opinions on accounting and auditing principles.

He has held and currently holds many administration and control positions, such as Chairperson of the Board of Statutory Auditors of Avio S.p.A., Chairperson of the Board of Statutory Auditors of the Unione delle Comunità Ebraiche Italiane, Chairperson of the Board of Statutory Auditors of the Ospedale Israelitico, Member of the Board of Statutory Auditors of the Museo dell'Ebraismo e della Shoà, Financial Statements Assessor on the Board of Directors of Istituto Pitigliani and Substitute Statutory Auditor on the Board of Statutory Auditors of the Fondazione Collegio delle Università Milanesi.

Author of 30 books and numerous other publications, he has also held academic positions and, for over twenty-five years, he has been Professor under contract of Business Audit and Control for daytime and evening courses at the Università Cattolica del Sacro Cuore. For eight years he was a professor of accounting at the Università Bocconi, and was and is professor of the second-level Masters in Business Administration in Italian and English.

**Daniele Federico Monarca**, Standing Statutory Auditor of Fiera Milano since 23 April 2018.

Born in Milan on 22 April 1959, he graduated in Economics from the Università Commerciale Luigi Bocconi in 1981. He has been a practising Chartered Accountant since 1982 and is on the National Register of Auditors.

He has held several administration and control positions and is currently Standing Statutory Auditor of Costruzioni Giuseppe Maltauro S.p.A., Independent Director of BFC Blue Financial Communication S.p.A., Partner/Co-Founder and Chief Executive Officer of Pigreco Corporate Finance S.r.l., Chairperson of the Board of Statutory Auditors of Advalora S.p.A. with legal audit duties, Partner of Abacus Partners S.A. and Substitute Statutory Auditor of Banca Monte dei Paschi di Siena S.p.A.

Entered in the Register of Court Appointed Experts with the Court of Milan, to date he is also Professor under contract in accounting at the Università Commerciale Luigi Bocconi in Milan for the Post-Graduate Course for Company Lawyers and Professor of the Family Officer Masters Course organised by AIFO Academy.

**Mariella Tagliabue**, Standing Statutory Auditor of Fiera Milano since 23 April 2018.

Born in Monza on 31 August 1970. Graduated with honours in Economics from the Università Cattolica. She is a chartered accountant, auditor and is on the register of technical consultants of the Court of Milan. Professor under contract for the Masters in Credit Risk Management at the Università Cattolica.

She is a technical consultant on financial statements, extraordinary corporate transactions and business assessment.

Author of *"Introduzione ai principi guida degli Standards Contabili Internazionali"*, published by Educatt, and contributor to the scientific series *"Economia degli intermediari finanziari"* published by McGraw Hill.

She was Senior Manager of KPMG S.p.A. Financial Services as head of audit planning and supervision for listed Italian banks and large international groups.

Currently, she also holds the position of Chairperson of the Board of Statutory Auditors of Anima Holding S.p.A., Standing Statutory Auditor of Nexi S.p.A., Mercury Payment Services S.p.A., Nexi Payments S.p.A., Substitute Statutory Auditor and Substitute Member of the Supervisory Board of Banca Prossima S.p.A., Substitute Statutory Auditor and Substitute Member of the Supervisory Board of Intesa Sanpaolo Provis and Substitute Statutory Auditor of Poliform S.p.A.

She was a member of the Board of Statutory Auditors and Supervisory Board of companies in listed groups (Intesa Sanpaolo and Mittel).

**Daniele Beretta**, Substitute Statutory Auditor of Fiera Milano since 23 April 2018.

Born in Milan on 25 April 1980, he graduated in Economics of financial institutions and markets from the Università Commerciale Luigi Bocconi in Milan in 2003. He has been a qualified Chartered Accountant since 2011 and is on the National Register of Auditors.

He holds positions as Standing Statutory Auditor and Legal Auditor with companies operating in the industrial, financial and services sectors.

He currently has a partnership arrangement with the Studio Corbella Villa Crostarosa - Giucciardi in Milan and is treasurer of Confprofessioni at the Lombardy Regional Council.

**Marina Scandurra**, Substitute Statutory Auditor of Fiera Milano since 23 April 2018.

Born in Rome on 15 December 1969, she graduated in Economics from the Università La Sapienza in Rome in 1994. She is qualified as a Chartered Accountant and is on the National Register of Auditors.

Currently she holds the following corporate offices: she is a Standing Statutory Auditor on the Board of GEDI Gruppo Editoriale S.p.A., Member of the Supervisory Board of GEDI Gruppo Editoriale S.p.A., Standing Statutory Auditor on the Board of Fidia S.p.A., Standing Statutory Auditor on the Board of Acea Produzione S.p.A., Standing Statutory Auditor on the Board, also with Supervisory Board duties, of Bredamenarinibus S.p.A., Standing Statutory Auditor on the Board of MICO DMC S.r.l., Standing Statutory Auditor on the Board of Morini S.r.l., Chairperson of the Board of Statutory Auditors, also with legal audit duties, of Citelum Napoli Illuminazione Scarl, Chairperson of the Board of Statutory Auditors of Stretto di Messina S.p.A. and Standing Statutory Auditor on the Board of Transmed S.p.A.

During 2018, the Board of Statutory Auditors met 14 times. The average duration of the meetings of the current Board of Statutory Auditors was approximately 3 hours and 5 minutes. At the date of approval of this Report, 3 Board meetings had been held during the current year.

#### 8.4 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 Italian Legislative Decree 58/98. In compliance with Article 19 of Italian Legislative Decree 39/2010, the Board of Statutory Auditors also oversees the legal audit of the annual and consolidated financial statements, the effectiveness of the internal control, internal audit 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 disclosure of non-financial information under Italian Legislative Decree 254/2016 and reviews this in its annual report to the Shareholders' Meeting.

Under Article 20.1 of the 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 effectiveness of all the structures and departments involved in the control system and their adequate coordination, while instigating corrective measures for any shortfall or irregularity that comes to light;
- (b) the corporate disclosure process;
- (c) the statutory audit of annual accounts;
- (d) the independence of the independent auditor or independent audit firm, in particular as regards non-audit services.

In addition, as Internal Control and Audit Committee pursuant to art. 19, Italian Legislative Decree 39/2010, the Board of Statutory Auditors is responsible for the procedure for selection of the independent auditors. The Board of Statutory Auditors must also inform the Board of Directors of the results of the audit and submit the additional report to the Board pursuant to art. 11, Regulation (EU) 537/2014 received from the independent auditors, accompanied by any remarks.

The Board of Statutory Auditors also monitors the independence of the independent auditors, ensuring compliance with existing regulations, and the nature and scale of non-audit services provided to the Company and its subsidiaries by the independent auditors 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.

With all its members, the Board of Statutory Auditors attends meetings of the Control and Risk Management Committee.

### 8.5 Self-appraisal by the Board of Statutory Auditors

In compliance with the Code of Conduct for the Boards of Statutory Auditors of Listed Companies, published by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili - CNDCEC, on 26 April 2018 the Board of Statutory Auditors completed an appraisal in relation to:

- membership suitability and adequate composition of the board, with reference to the professionalism, expertise, integrity and independence requirements of the regulations;
- availability of time and resources suited to the complexity of the position.

The Board of Statutory Auditors also performs periodic self-appraisals of its operations in relation to the actual planning of its activities.

The Chairperson of the Board of Statutory Auditors, with operating support from 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 Statutory Auditors; 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 Statutory Auditors for its approval and then agreed with the Board of Directors.

At its meeting on 17 January 2019, the Board of Statutory Auditors of Fiera Milano established qualitative and quantitative criteria in order to organise the self-appraisal in relation to the operations, composition and number of members of the Board for 2018.

The self-appraisal, instigated by the Chairperson of the Board of Statutory Auditors, was carried out by each Statutory Auditor completing a questionnaire; the results were presented to the Board of Statutory Auditors during its meeting of 7 February 2019.

The questions were designed to analyse (i) the size and composition of the Board of Statutory Auditors with reference to the nature and professional experience of the Statutory Auditors; (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 Statutory Auditors in meetings and in the decision-making process.

Each Statutory Auditor completed this questionnaire and the analysed results were aggregated and presented to the Board of Statutory Auditors in an anonymous format.

The results were obtained through the active cooperation of all Statutory Auditors and were processed with operating support from the Secretariat of Fiera Milano.

In particular, each Statutory Auditor completed:

- the self-appraisal questionnaire;
- the checklist certifying professional requirements and expertise;
- a personal details record;
- the *curriculum vitae*.

Analysis of the results of the questionnaire showed that the Board of Statutory Auditors believes that the number of members, composition, *modus operandi*, information flows between the Board of Statutory Auditors and other corporate bodies, as well as the role assigned to the Chairperson, are considered adequate.

In addition, at the time of the self-appraisal, members of the Board of Statutory Auditors formulated explicit proposals for training and further study, reporting aspects designed to improve the activities carried out and thereby guarantee greater effectiveness of its role within the Company.

## 9. PROCEDURES ADOPTED BY THE COMPANY

### 9.1 Internal Dealing Code

The Company has adopted an Internal Dealing Code, prepared in accordance with EU Regulation no. 596 of 16 April 2014 (Market Abuse Regulation – “MAR”) and related implementing regulations (all together “**Internal Dealing Regulations**”).

Under the Internal Dealing Code, most recently updated on 15 December 2017, 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. Relevant persons under the provisions of the Internal Dealing Code are those with administrative, direction and control responsibilities within 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 Associated with 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.

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](http://www.fieramilano.it) in the section *Investor Relations/ Corporate Governance/ Internal Dealing*.

### 9.2 Treatment of Corporate Disclosures

The Company has adopted a “Procedure for the management of relevant and inside information and Register maintenance”, most recently updated by the Board of Directors on 27 July 2018, which incorporates the provisions of regulations on market abuse.

The Procedure contains specific sections covering the definition of relevant and inside information, the related management procedures, ways of managing so-called market rumours, governs instances of delays in disclosure to the market, the approval process for press releases, persons authorised to maintain external relations and persons obliged to maintain confidentiality.

The Procedure also covers the maintenance and updating of the Relevant Information List (RIL) and the Insider List, which identifies the responsibilities and ways of maintaining and updating it. The procedure identifies the individual responsible for managing the list, an info room committee and the individuals that can be registered in it; it also governs the procedures for initial inclusion and subsequent updating as well as aspects regarding confidentiality obligations.

### 9.3 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 relating to transactions with Related Parties approved by Consob Resolution no. 17221 of 12 March 2010, first amended by Consob Resolution no. 17389 of 23 June 2010 and later by Resolution no. 19974 of 27 April 2017 (hereinafter the "**Regulation**"), with recommendations contained in the Corporate Governance Code and with the guidelines for application of the Provisions relating to transactions with Related Parties issued by Consob with Communication no. DEM/10078683 of 24 September 2010.

The current Procedures were reviewed twice in 2018. In particular, the amendments were agreed by Board of Directors decision of 19 February 2018 and again on 11 May 2018, also to align the document and its provisions to the amendments to the reference regulations and as regards the organisational structure of the Company.

In general, 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 on the substantial fairness of the relevant conditions for the completion of related-party transactions.

The Procedure takes advantage of the exception granted in the Regulation that, without prejudice to provisions on public disclosure, 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 Consolidated Financial Statements - the possibility of applying to Transactions of Greater Importance the guidance and approval procedures for Transactions of Lesser Importance.

The Board of Directors of the Company will periodically, and in any event at least every three years, assess whether to update the Procedure taking into account, inter alia, any changes to its ownership structures, as well as the effective application of the rules and guidance in use.

The Procedure is available on the Company website, [www.fieramilano.it](http://www.fieramilano.it), in the section *Investor Relations/Corporate Governance/Related Parties*.

The Company has also adopted Organisational Implementing 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 parties 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 public disclosure process as required by the Procedure.

With regard to the new version of the Instructions associated with the aforementioned Procedure, note that the main amendments aim to align its contents with the current organisational structure of the Company and with European Commission's MAR on market abuse.

In particular, note that the Instructions define the new composition of the Advisory Committee on Related Parties.

## 10. INVESTOR RELATIONS

The Company has adopted a communication policy with the aim of establishing 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 Department, headed by Gianna La Rana as Investor Relations Manager, responsible for relations with the financial community.

The methods adopted for financial disclosure 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 business results.

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](http://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 Articles of Association, minutes of Shareholders' Meetings, the Code of Ethics, the Procedure for Related-Party Transactions, the Internal Dealing Code, and the related filing models etc.).

## 11. SHAREHOLDERS' MEETINGS (ART. 123-BIS, PARAGRAPH 2.C), CONSOLIDATED FINANCE ACT)

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

Also in accordance with the provisions of Article 9.C.3 of the Corporate Governance Code, the Shareholders' Meeting of 23 April 2013 adopted 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](http://www.fieramilano.it) in the section *Investor Relations/Corporate Governance/ Shareholders' Meetings*.

The aforementioned Rules of Procedure define the procedures 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 responsibility by 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 Financial Statements and the allocation of profits, (iii) the purchase and disposal of treasury stock, (iv) changes to the 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 at close of business 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. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (ART. 123-BIS, PARAGRAPH 2.A), CONSOLIDATED FINANCE ACT)

### 12.1 Management procedure for disclosures, including anonymous notifications (Whistleblowing) received by Fiera Milano and its subsidiaries

On 8 November 2016, a Management policy for whistleblowing disclosures, including anonymous disclosures, received by the Group companies was adopted. It was most recently updated at the meeting of the Company's Board of Directors held on 11 May 2018. The Procedure governs the receipt, analysis and treatment of whistleblowing disclosures alleging irregularities, 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 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.

The latest review of the Procedure amended the composition of the Disclosure Committee, in which the Head of Human Resources, in place of the Head of Compliance, currently participates with the Head of Security and the Head of Internal Audit. This Committee reports to the Supervisory Committee on any checks that have been carried out when significant 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: the 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).

### 12.2 Regulations on 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 entities, with the aim of providing a solid base for stronger research and development and more effective interrelationships.

The Regulations identify 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. In order to be fully effective, the Regulations and any amendments or additions, once adopted by the Company's Board of Directors, must be presented to shareholders of Fiera Milano and, subsequently to the shareholders' meetings of individual Group companies so that each may adopt them independently on the basis of their own business activities.

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 these Regulations on 15 April 2010 and, subsequently, in order for them to be adopted, the Regulations were presented to the Shareholders' Meetings of the individual companies of the Group so that each could independently adopt them as the basis for their own operations.

Lastly, 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 practices on this matter, should be appointed as Statutory Auditors in the Boards of Statutory Auditors of the subsidiaries. The primary aim of this change was rationalisation and simplification, allowing the creation of important synergies to guarantee greater effectiveness and efficiency of control systems to benefit 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. CORPORATE GOVERNANCE COMMITTEE RECOMMENDATIONS FOR 2019 (LETTER DATED 21 DECEMBER 2018)**

By letter dated 21 December 2018, the Chairperson of the Corporate Governance Committee informed the top management of Italian listed companies of a number of recommendations to ensure a higher degree of alignment between corporate governance practices and instructions contained in the Corporate Governance Code. For 2019 in particular, in that letter, issuers were invited to:

- a. express an explicit opinion on the adequacy of pre-meeting information received during the year;
- b. apply more strictly the independence criteria defined in the Corporate Governance Code;
- c. ensure greater transparency on how the board review is conducted;
- d. assess the adequacy of remuneration policies with pursuit of the objective of sustainability of business activities in the medium/long term.

These recommendations - immediately brought to the attention of the Chairperson of the Board of Directors and the Board of Statutory Auditors - were shared with the entire Board of Directors of Fiera Milano at the meeting held on 12 February 2019. On that occasion, the Board of Directors verified that the Company is in alignment with the recommendations issued by the Corporate Governance Committee.

## TABLES

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

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

The second table summarises the characteristics 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 the Board of Statutory Auditors and the attendance rate of individual members. The tables also show the number of administrative positions held in other companies; these are also detailed in the text of this Report and are used for the necessary checks to ascertain compliance with Cumulation of Office rules.

**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 office from/ until	List	Exec.	Non-exec.	Independent under the Code	Independent under the Cons, Fin, Act	BoD attendance *	No, of other positions held **	***	*	***	*
Chairperson	Lorenzo Caprio	1957	21.04.2017	a	b		X		X	9/9	1				
Chief Executive Officer	Fabrizio Curci <sup>o</sup>	1972	25.07.2017	a	b	X				9/9	0				
Director	Marina Natale <sup>Δ</sup>	1962	21.04.2017	a	b		X		X	8/9	2		M		4/4
Director	Alberto Baldan	1960	21.04.2017	a	b		X	X	X	8/9	4		M		4/4
Director	Stefania Chiaruttini	1962	21.04.2017	a	b		X	X	X	9/9	3	C	9/9		
Director	Gianpietro Corbari	1961	21.04.2017	a	b		X	X	X	6/9	1				
Director	Francesca Goffetto	1950	21.04.2017	a	b		X	X	X	9/9	2	M	9/9		
Director	Angelo Meregalli	1967	21.04.2017	a	b		X	X	X	6/9	0	M	7/9		
Director	Elena Vasco	1964	21.04.2017	a	b		X	X	X	9/9	4			C	4/4
<b>Board of Directors</b>												<b>9</b>	<b>9</b>	<b>4</b>	
<b>Number of meetings held in the financial year ended 31 December 2018</b>												<b>9</b>	<b>9</b>	<b>4</b>	
<b>Shareholding required by non-controlling shareholders to present lists (under Article 147-ter of the Consolidated Finance Act):</b>														<b>2.50%</b>	

### 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.

<sup>o</sup> This indicates the Director responsible for the internal control and risk management system.

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

<sup>a</sup> 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.

<sup>b</sup> Appointed from the only list presented by the controlling shareholder Fondazione E. A. Fiera Internazionale di Milano.

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	Riccardo Raul Bauer	1951	23/04/18	a	b	X	11/11	1	
Statutory Auditor	Daniele Federico Monarca	1959	23/04/18	a	b	X	11/11	0	
Statutory Auditor	Mariella Tagliabue	1970	23/04/18	a	b	X	11/11	5	
Substitute Auditor	Daniele Beretta	1980	23/04/18	a	b				
Substitute Auditor	Marina Scandurra	1969	23/04/18	a	b				
AUDITORS NO LONGER IN POSITION IN THE FINANCIAL PERIOD UNDER REVIEW									
Chairperson	Federica Palmira Nolli	1959	29/04/15	c	b	X	3/3	0	
Statutory Auditor	Antonio Guastoni	1951	29/04/15	c	b	X	3/3	4	
Statutory Auditor	Carmine Pallino	1967	29/04/15	c	b	X	3/3	0	
Substitute Auditor	Francesca Maria D'Alessandro	1970	29/04/15	c	b				
Substitute Auditor	Alessandro Carlo Galli	1973	29/04/15	c	b				
<b>Number of meetings held in the financial year to 31 December 2018</b>							14		
<b>Shareholding required by non-controlling interests to present lists of candidates (under Article 148 of the Consolidated Finance Act)</b>							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).

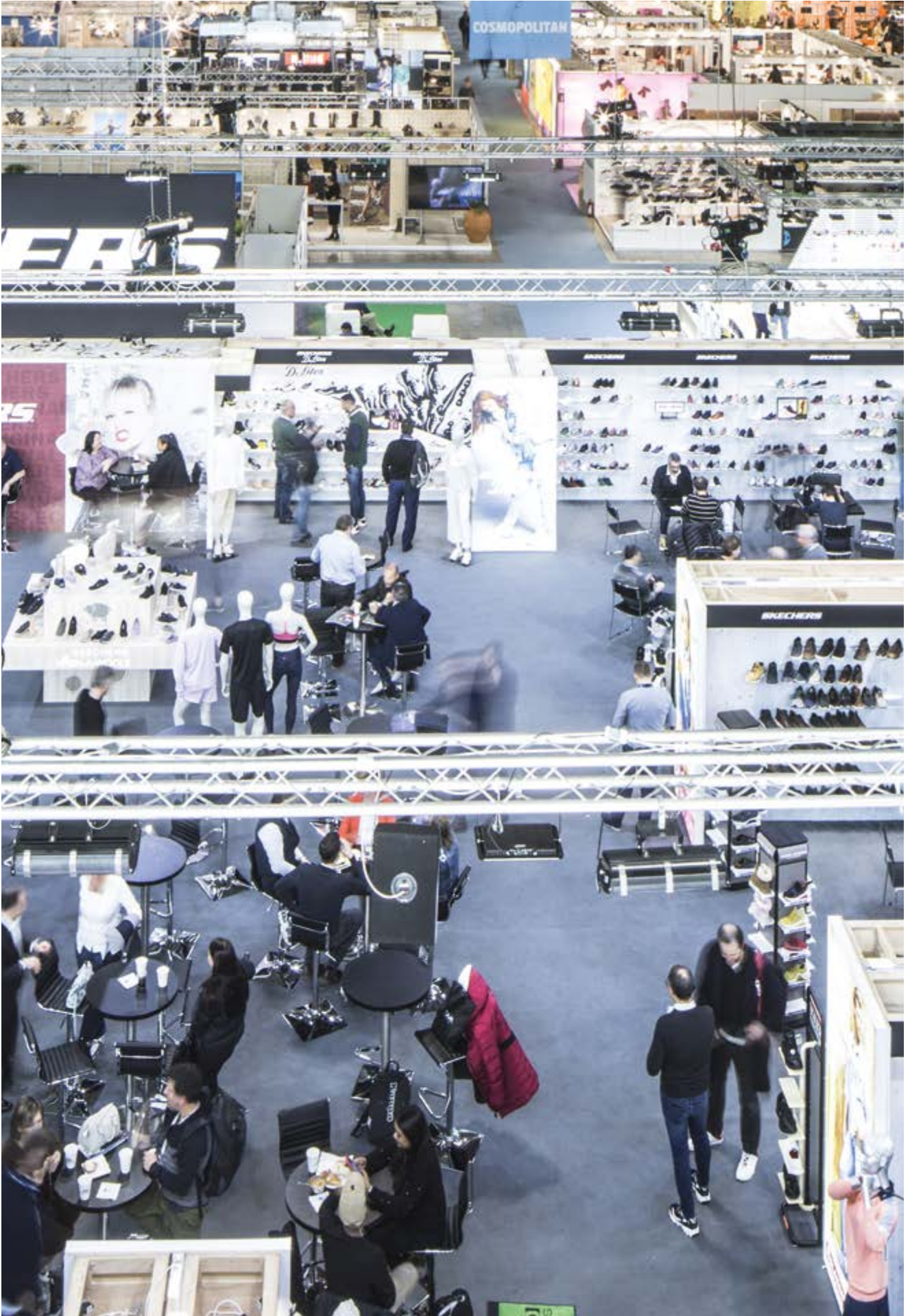
\*\* This column shows the number of positions held as Director or Statutory Auditor under Article 148-bis of the Consolidated Finance Act.

a Appointed by the Shareholders' Meeting of 23 April 2018 for a three-year period ending with the approval of the Financial Statements at 31 December 2020.

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

c 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.





# PROPOSALS FOR THE ORDINARY SHAREHOLDERS' MEETING

The Ordinary Shareholders' Meeting of Fiera Milano S.p.A. will be held on single call at the Auditorium in the Centro Servizi of the exhibition site, Strada Statale del Sempione 28, Rho (Milan) (reserved parking is available with entry from Porta Sud), on 18 April 2019 at 15:00 hours.

(Report pursuant to Article 125-ter, paragraph 1, Italian Legislative Decree no. 58 of 24 February 1998, as amended)

- 1. FINANCIAL STATEMENTS AT 31 DECEMBER 2018, 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 2018 AND THE CONSOLIDATED DISCLOSURE OF NON-FINANCIAL INFORMATION UNDER LEGISLATIVE DECREE NO. 254/2016.**

Dear Shareholders,

The preliminary Financial Statements at 31 December 2018, that we submit for your attention, closed with a net profit of Euro 16,561,244.92, that allows us to propose you the distribution of a dividend, gross of amounts withheld under law, of euro 0.13, for each of the no. 70,978,811 ordinary shares in circulation..

We also submit the Group Consolidated Financial Statements at 31 December 2018 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 the following for your approval

## **proposed resolution**

*"The Shareholders' Meeting of Fiera Milano S.p.A., having considered the Directors' Management Report, the Report of the Board of Statutory Auditors and the report of the Independent Auditors, and having examined the Financial Statements at 31 December 2018,*

## **approves**

- 1) the Financial Statements at 31 December 2018, 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 profit of Euro 16,561,244.92, as presented by the Board of Directors in its entirety, and each individual item with the proposed allocations, as well as the Directors' Management Report;*

2) the allocation of the net profit of the year of Euro 16,561,244.92 as follow:

- distribution of a dividend, gross of amounts withheld under law, of euro 0.13 for each of the ordinary shares with rights, based on the amount of the profit for the year 2018;
- retaining the remaining profit for the year, net of the aforementioned distribution;
- to establish that the dividend will be paid on 8 May 2019, with detachment of coupon no. 8 on 6 May 2019 and record date on 7 May 2019.

We also present to the Shareholders' Meeting the Consolidated Disclosure of Non-financial Information prepared by the Company in accordance with Italian Legislative Decree no. 254/2016.

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

Dear Shareholders,

On 12 March 2019, 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 14 March 2019.

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

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

The 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.

At the proposal of the Appointments and Remuneration Committee, the Board of Directors has adopted the Policy, also prepared following the recommendations of Article 6 of the Corporate Governance Code.

Specifically, the Policy of the Company aims to:

- attract, motivate and retain resources with the professional qualities necessary for the advantageous pursuit of 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 adequately recognise the individual contributions 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 available on the Company website [www.fieramilano.it](http://www.fieramilano.it) in the section *Investor Relations/Corporate Governance/ Shareholders' Meetings*.

Given the above, we submit the following for your approval

#### proposed resolution

*"The Shareholders' Meeting of Fiera Milano S.p.A., having considered the Report on Remuneration pursuant to Article 123-ter of Italian 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 Italian 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”.*

**2. AUTHORISATION FOR THE BUYBACK 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 23 APRIL 2018.  
(REPORT PURSUANT TO ARTICLE 73 AND ATTACHMENT 3A OF THE ISSUERS’ REGULATION)**

Dear Shareholders,

The Shareholders’ Meeting of 23 April 2018 authorised the Company to buy back treasury shares for a period of 18 months from the date of approval and to dispose of all and/or part of the shares purchased with no time limits and even before the purchase mandate had been exhausted.

The Company has not purchased treasury shares under the terms of this authorisation and, therefore, at today’s date, directly and indirectly holds 939,018 treasury shares, equivalent to 1.31% of the share capital.

Since the aforementioned authorisation expires on 22 October 2019, in order to avoid convening a special Shareholders’ Meeting around this expiry date, we believe that it would be useful were you to approve a new authorisation for the buyback and disposal of treasury shares in accordance with Articles 2357 et seq. of the Italian Civil Code, following cancellation of the existing authorisation.

The buyback of the Company’s ordinary shares will be carried out in accordance with the existing rules for listed companies and any other European Union and national laws applicable.

The reasons and procedures for the buyback and disposal of treasury shares for which we request your authorisation are given below.

**A) Reasons for requesting authorisation to buy back and dispose of treasury shares**

The Board of Directors is requesting this authorisation as it is of the opinion that the buyback of treasury shares could represent an attractive investment opportunity and/or may be instrumental in improving the financial structure of the Company, and likewise may facilitate future agreements involving the exchange of shareholdings.

The authorisation is also requested so that treasury shares are available for use in stock option incentive plans (and, in particular, servicing the incentive plan approved by the Ordinary Shareholders’ Meeting of 23 April 2018), adopted in compliance with legal provisions or as part of any bond issue convertible into Company shares.

The authorisation is requested in order to carry out transactions, in accordance with enacted laws and regulations, to stabilise share price movements linked to contingent market anomalies, improving the liquidity of the shares.

It is also proposed that at the same time, in accordance with the conditions and limits specified below, the Shareholders’ Meeting authorises the Board of Directors to also dispose of any shares purchased, in addition to those 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 authorisation applies; compliance with the provisions of Article 2357, paragraph 3 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 shares held by the Company and its subsidiaries at today's date. Directions will be given to the subsidiaries requiring them to promptly report any purchases of Fiera Milano S.p.A. shares in order to ensure compliance with the aforementioned total limit of 20% of shares making up the Company's share capital.

At the date of this Report, the subscribed and 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 regulations in force.

### **C) Duration of the authorisation**

The buyback authorisation is requested for a period of eighteen months from the date of approval by the Shareholders' Meeting, while the authorisation to dispose of 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, in compliance with trading conditions established in Article 3 of Delegated Regulation (EU) 2016/1052 (hereinafter "**Regulation 1052**") implementing Regulation (EU) 596/2014 and applicable provisions of the Italian Civil Code, at a price that does not exceed the higher of the most recent independent transaction and the current highest independent price bid at the trading venues where the purchase is made, provided that the unit price is not 10% higher or lower than the reference price recorded for Fiera Milano shares on the MTA Market (*Mercato Telematico Azionario*) organised and managed by Borsa Italiana S.p.A. in the trading session preceding each purchase transaction.

The shares may be sold, even before the buyback mandate has been exhausted, in one or more tranches, at a price not below the lowest purchase price.

This price limit will not apply if the shares are disposed of as part of stock option incentive plans. If the shares are used as part of extraordinary transactions, for example, share swaps, part-exchanges, conferrals or as part of equity transactions or other corporate and/or financial transactions and/or other extraordinary transactions and any other non-cash 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 S.p.A. 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, as appropriate, permitted market practices.

Purchases of treasury shares must be made under the provisions of Article 3 of Regulation 1052, or 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. takeover bid or exchange tender offer;
- ii. on regulated markets in accordance with the operating procedures established in the organisation and management rules for said markets, which do not allow the direct matching of buy orders with sell orders at a predetermined trading 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 organisation and management rules for the market provide for procedures that comply with those of Article 144-bis, paragraph 1, letter c) of the Issuers' Regulation.

Disposals may be made in one or more tranches, even before the buyback authorisation has been exhausted, through sales on regulated and/or unregulated markets, or off market, or by public offering, or as consideration for the purchase of shareholdings or, if necessary, assignment to shareholders.

Given the above, we submit the following for your approval

**proposed resolution**

*"The Shareholders' Meeting of Fiera Milano S.p.A. of 18 April 2019,*

- *having considered the proposal of the Board of Directors, prepared according to Article 125-ter of Italian Legislative Decree 58/98, Article 73 of Consob Regulation no. 11971 by resolution dated 14 May 1999, and in accordance with Attachment 3A – Table 4 of the same Regulation, 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) *cancellation of the authorisation to buy back and dispose of treasury shares approved by the Ordinary Shareholders' Meeting of 23 April 2018;*
- 2) *authorising the Board of Directors, pursuant to Article 2357 et seq. of the Italian Civil Code, to buy back Company shares in accordance with the quantities, price, terms and conditions described below:*
  - *purchases being made in one or more tranches up to 18 months from the date of this resolution;*
  - *the purchase price of each share as not exceeding the higher of the most recent independent transaction and the current highest independent price bid at the trading venues where the purchase is made, provided that the unit price is not 10% higher or lower than the reference price recorded for Fiera Milano shares on the MTA Market (Mercato Telematico Azionario) organised and managed by Borsa Italiana S.p.A. in the trading session preceding each purchase transaction;*
  - *the maximum number of shares purchased, including treasury shares already held by the Company and its subsidiaries, as not exceeding one-fifth of shares making up the share capital;*
  - *the purchase of treasury shares may be made in one or more tranches, in compliance with applicable laws and regulations, including, as appropriate, permitted market practices. The buybacks of treasury shares must comply with the conditions of art. 3, Delegated Regulation (EU) 2016/1052 and with the provisions of art. 132 of Italian Legislative Decree 58/98, art. 144-bis of Consob Regulation no. 11971 issued by resolution dated 14 May 1999, and with any other applicable national or EU regulations;*

- 3) *authorising the Board of Directors, in accordance with law, to dispose of all or part of the treasury shares purchased, without time limits, even before the buyback authorisation is exhausted; the disposals may be made in one or more tranches, also before all purchases are exhausted, through sales on regulated and/or unregulated markets or off market, or by public offering, or as consideration for the purchase of shareholdings or, if necessary, assignment to shareholders. The selling price must not be below the lowest purchase price. This price limit will not apply if the shares are disposed of as part of stock option incentive plans. If the shares are used as part of extraordinary transactions, for example, share swaps, part-exchanges, conferrals or as part of equity transactions or other corporate and/or financial transactions and/or other extraordinary transactions and any other non-cash 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, all necessary power to make purchases or disposals and, in any event, to implement the aforementioned resolutions, also through agents, complying with any eventual request from the competent authorities."*

Rho (Milan), 12 March 2019

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	ASSETS	31/12/18	31/12/17
	<b>Non-current assets</b>		
4	Property, plant and equipment	10,812	13,765
5	Leased property, plant & equipment	-	-
	Investments in non-core property	-	-
6	Goodwill	94,127	94,216
7	Intangible assets with a finite useful life	10,791	12,493
8	Equity accounted investments	19,914	18,339
9	Other investments	32	61
10-50	Other financial assets	50	-
11	Trade and other receivables	11,431	11,687
50	<i>of which from related parties</i>	11,335	11,598
12	Deferred tax assets	1,270	976
	<b>Total</b>	<b>148,427</b>	<b>151,537</b>
	<b>Current assets</b>		
13	Trade and other receivables	45,136	46,277
50	<i>of which from related parties</i>	7,669	7,172
14-50	Inventories	3,481	3,485
	Contracts in progress	-	-
15	Financial assets	14	2,809
50	<i>of which from related parties</i>	14	2,809
16	Cash and cash equivalents	28,409	17,922
	<b>Total</b>	<b>77,040</b>	<b>70,493</b>
	<b>Assets held for sale</b>		
	Assets held for sale	-	-
	<b>Total assets</b>	<b>225,467</b>	<b>222,030</b>
	<b>EQUITY AND LIABILITIES</b>		
17	<b>Equity</b>		
	Share capital	41,645	41,645
	Share premium reserve	9,379	10,299
	Revaluation reserve	-	-
	Other reserves	3,667	3,059
	Retained earnings	8,495	5,831
	Profit/(loss) for the year	18,848	1,637
	<b>Total Group equity</b>	<b>82,034</b>	<b>62,471</b>
	<b>Equity attributable to non-controlling interests</b>	<b>61</b>	<b>564</b>
	<b>Total equity</b>	<b>82,095</b>	<b>63,035</b>
	<b>Non-current liabilities</b>		
	Bonds in issue	-	-
18	Bank borrowings	-	3,503
19-50	Other financial liabilities	-	42
20	Provision for risks and charges	729	834
21	Employee benefit provisions	8,958	9,379
22	Deferred tax liabilities	7,180	3,225
	Other liabilities	-	-
	<b>Total</b>	<b>16,867</b>	<b>16,983</b>
	<b>Current liabilities</b>		
	Bonds in issue	-	-
23	Bank borrowings	3,514	17,252
24-50	Trade payables	38,548	48,437
25-50	Advances	49,659	43,057
26-50	Other financial liabilities	1,297	729
27	Provision for risks and charges	6,603	7,193
28	Tax liabilities	2,229	2,010
29	Other liabilities	24,655	23,334
50	<i>of which to related parties</i>	3,874	1,496
	<b>Total</b>	<b>126,505</b>	<b>142,012</b>
	<b>Liabilities held for sale</b>		
	Liabilities held for sale	-	-
	<b>Total liabilities</b>	<b>225,467</b>	<b>222,030</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ '000)

notes		2018	2017 restated *
33	Revenues from sales and services	247,217	256,348
50	of which with related parties	6,652	212
	<b>Total revenues</b>	<b>247,217</b>	<b>256,348</b>
34-50	Cost of materials	2,410	3,228
35	Cost of services	114,052	133,300
50	of which with related parties	1,571	1,905
36	Cost of use of third-party assets	50,343	49,868
50	of which with related parties	46,493	45,576
37-50	Personnel costs	47,037	48,860
38-50	Other operating expenses	4,525	5,398
	<b>Total operating expenses</b>	<b>218,367</b>	<b>240,654</b>
39-50	Other income	2,806	2,604
40	Results of equity accounted associates and joint ventures	5,170	2,603
41	Provisions for doubtful receivables and other provisions	4,963	5,841
	<b>EBITDA</b>	<b>31,863</b>	<b>15,060</b>
42	Depreciation of property, plant and equipment	3,971	4,295
	Depreciation of property investments	-	-
42	Amortisation of intangible assets	1,900	2,539
43	Adjustments to asset values	917	2,854
	<b>EBIT</b>	<b>25,075</b>	<b>5,372</b>
44-50	Financial income and similar	279	429
45-50	Financial expenses and similar	402	1,203
46	Valuation of financial assets	(29)	-
	<b>Profit/(loss) before tax</b>	<b>24,923</b>	<b>4,598</b>
47	Income tax	6,353	2,860
50	of which with related parties	1,385	(536)
	<b>Profit/(loss) from continuing operations</b>	<b>18,570</b>	<b>1,738</b>
	<b>Profit/(loss) from discontinued operations</b>	<b>-</b>	<b>-</b>
	<b>Profit/(loss) of the year</b>	<b>18,570</b>	<b>1,738</b>
48	<b>Profit/(loss) attributable to:</b>		
	<b>The shareholders of the controlling entity</b>	<b>18,848</b>	<b>1,637</b>
	Non-controlling interests	(278)	101
17	<b>Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss</b>		
	Revaluation of defined benefit schemes	215	59
	Tax effects	52	13
17	<b>Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss</b>		
	Currency translation differences of foreign subsidiaries	(241)	(164)
2	<b>Other comprehensive income/(loss) of equity accounted associates and joint ventures that will not be reclassified subsequently to profit or loss</b>		
	Revaluation of defined benefit schemes	(7)	1
	Tax effects	(2)	-
	Currency translation differences of foreign subsidiaries	(175)	(207)
	<b>Other comprehensive income/(loss) net of related tax effects</b>	<b>(258)</b>	<b>(324)</b>
	<b>Total comprehensive income/(loss) for the year</b>	<b>18,312</b>	<b>1,414</b>
	Total comprehensive income/(loss) for the year attributable to:		
	The shareholders of the controlling entity	18,592	1,314
	Non-controlling interests	(280)	100
49	<b>Earnings/(losses) per share (€)</b>		
	Basic	0.2655	0.0231
	Diluted	0.2655	0.0231

\* Some figures for 2017 have been restated to reflect the application of the new standard IFRS 15 from 1 January 2018.

## CONSOLIDATED STATEMENT OF CASH FLOWS

(€ '000)

notes	2018	2017
<b>Net cash at beginning of the year from continuing operations</b>	<b>17,922</b>	<b>20,904</b>
<b>Net cash at beginning of the year from assets held for sale</b>	<b>-</b>	<b>1,214</b>
<b>Cash flow from operating activities</b>		
16 Net cash from operating activities	24,289	39,734
50 <i>of which from related parties</i>	(42,556)	(45,102)
30 Interest paid	(277)	(726)
30 Interest received	45	259
Income taxes paid	(1,163)	(2,492)
<b>Total from continuing operations</b>	<b>22,894</b>	<b>36,775</b>
<b>Total from assets held for sale</b>	<b>-</b>	<b>(1,214)</b>
<b>Cash flow from investing activities</b>		
4 Investments in tangible assets	(1,267)	(3,816)
4 Write-downs of tangible assets	292	-
7 Investments in intangible assets	(1,368)	(500)
Investments in Subsidiaries	-	2,750
2 Investments in joint ventures	3,552	2,254
9 Other investments	-	(32)
<b>Total from continuing operations</b>	<b>1,209</b>	<b>656</b>
<b>Total from assets held for sale</b>	<b>-</b>	<b>-</b>
<b>Cash flow from financing activities</b>		
17 Equity	(138)	283
10-30-50 Non-Current financial assets	(50)	-
18-19-30-50 Non-current financial liabilities	(3,545)	(10,605)
15-30 Current financial assets	2,795	(187)
50 <i>of which from related parties</i>	2,795	(187)
23-26-30 Current financial liabilities	(12,865)	(30,177)
50 <i>of which from related parties</i>	641	(2,466)
<b>Total from continuing operations</b>	<b>(13,803)</b>	<b>(40,686)</b>
<b>Total from assets held for sale</b>	<b>-</b>	<b>-</b>
17 Total translation differences	187	273
<b>Net cash for the year from continuing operations</b>	<b>10,300</b>	<b>(3,255)</b>
<b>Net cash for the year from assets held for sale</b>	<b>-</b>	<b>(1,214)</b>
<b>Net cash at the end of the year from assets held for sale</b>	<b>-</b>	<b>-</b>
<b>Net cash at the end of the year from continuing operations</b>	<b>28,409</b>	<b>17,922</b>

## CASH GENERATED FROM OPERATING ACTIVITIES

(€ '000)

	2018	2017
Result of continuing operations	18,570	1,738
<i>Adjustments for:</i>		
Profit from equity accounted investments	(5,170)	(2,603)
Depreciation and Amortisation	5,871	6,834
Provisions, write-downs and impairment	5,375	7,672
Capital gain and losses	(171)	200
Personnel costs "Performance Shares Plan"	849	-
Net change in employee provisions	(206)	137
Changes in deferred taxes	3,553	2,390
Inventories	4	1,912
Trade and other receivables	1,302	6,819
Trade payables	(9,889)	7,323
Pre-payments	6,602	2,818
Tax payables	1,382	2,897
Provisions for risks and charges and other liabilities (excluding payables to Organisers)	(173)	(3,550)
Payables to Organisers	(3,610)	5,147
<b>Total</b>	<b>24,289</b>	<b>39,734</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€'000)

note 17	Share capital	Share premium reserve	Other reserves	Retained earnings	Profit/(loss) for the year	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
<b>Balance at 31 December 2016</b>	<b>41,645</b>	<b>35,668</b>	<b>1,714</b>	<b>4,773</b>	<b>(22,794)</b>	<b>61,006</b>	<b>729</b>	<b>(56)</b>	<b>673</b>	<b>61,679</b>
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
<b>Balance at 31 December 2017</b>	<b>41,645</b>	<b>10,299</b>	<b>3,059</b>	<b>5,831</b>	<b>1,637</b>	<b>62,471</b>	<b>463</b>	<b>101</b>	<b>564</b>	<b>63,035</b>
Allocation of earnings at 31.12.17:	-	-	-	1,637	(1,637)	-	101	(101)	-	-
<i>use of reserves</i>	-	(864)	-	864	-	-	-	-	-	-
<i>dividend distribution</i>	-	-	-	-	-	-	(358)	-	(358)	(358)
Fair value stock grant	-	-	849	-	-	849	-	-	-	849
Expenses related to the share capital increase	-	(56)	-	-	-	(56)	-	-	-	(56)
Capital contribution to La Fabbrica del Libro SpA	-	-	-	-	-	-	96	-	96	96
Capital contribution to MiCo DMC Srl	-	-	-	-	-	-	124	-	124	124
Accounting by the net equity method (MiCo DMC Srl)	-	-	-	-	-	-	(87)	-	(87)	(87)
Remeasurement of defined benefit plans	-	-	-	163	-	163	-	-	-	163
Total comprehensive income for the financial year	-	-	(241)	-	18,848	18,607	-	(278)	(278)	18,329
<b>Balance at 31 December 2018</b>	<b>41,645</b>	<b>9,379</b>	<b>3,667</b>	<b>8,495</b>	<b>18,848</b>	<b>82,034</b>	<b>339</b>	<b>(278)</b>	<b>61</b>	<b>82,095</b>

# EXPLANATORY AND SUPPLEMENTARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On 12 March 2019, the Board of Directors approved the Fiera Milano Group Consolidated Financial Statements at 31 December 2018 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 details on Group structure are provided in the relevant section of the Directors' Management Report.

## 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 2018, issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, relative interpretative documents and the provisions of Article 9 of Italian Legislative Decree 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 2017, except for those applicable from 1 January 2018 described below.

Given the capital and financial position for 2018, the financial forecasts in the budget and in the 2019-2022 Business Plan, approved by the Board of Directors on 29 October 2018 and 12 February 2019, respectively, and taking into account the forecasts for working capital performance and for the financial and capital position of the Group, the Financial Statements and Consolidated Financial Statements have been prepared on a going concern basis.

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. Note that some figures from the previous year have been restated for comparison purposes.

In 2018, 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 the "Risk factors affecting Fiera Milano Group" in Note 31, and in paragraph 1.6 "Use of Estimates" in the Explanatory and Supplementary Notes.

These 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 2018.

The nature and impact of each new accounting standard or amendment is given below:

### - IFRS 15 - Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 - Construction Contracts, IAS 18 - Revenue and related interpretations, and applies to all revenue from contracts with customers unless the contracts are covered by other standards. The new standard introduces a new five-step model applying to revenue 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 to the customer.

The standard requires entities to exercise discretion, taking into consideration all the relevant facts and circumstances when applying each step of the model to their contracts with customers. The standard also specifies the accounting treatment for incremental costs associated with obtaining a contract and costs directly associated with completing a contract.

The Group adopted IFRS 15 retrospectively and has carried out a detailed analysis to identify and assess the impact of adopting the new standard on revenue recognition. Given the portfolio composition and existing contracts, there could be significant accounting effects, mainly on revenue items, relating to catering services and insurance services to be recorded net of any direct and attributable costs, resulting in a reduction in revenues but with no impact on the EBITDA or net result for the period. There is no impact on equity as they merely refer to reclassifications in the income statement.

The effects of adoption of the new standard on the comparative year are shown in the following table:

	(€'000)		
<b>IFRS 15 EFFECTS</b>	<b>2017</b>	<b>2017 restated</b>	<b>Change</b>
Revenues from sales and services	271,327	256,348	(14,979)
<b>Total revenues</b>	<b>271,327</b>	<b>256,348</b>	<b>(14,979)</b>
Cost of materials	3,228	3,228	-
Cost of services	148,279	133,300	(14,979)
Cost of use of third-party assets	49,868	49,868	-
Personnel costs	48,860	48,860	-
Other operating expenses	5,398	5,398	-
<b>Total operating expenses</b>	<b>255,633</b>	<b>240,654</b>	<b>(14,979)</b>
Other income	2,604	2,604	-
Results of equity accounted associates and joint ventures	2,603	2,603	-
Provisions for doubtful receivables and other provisions	5,841	5,841	-
<b>EBITDA</b>	<b>15,060</b>	<b>15,060</b>	<b>-</b>

### - IFRS 9 - Financial Instruments

IFRS 9 - Financial Instruments replaces IAS 39 - Financial Instruments: Recognition and Measurement, bringing together all three aspects relating to financial instruments accounting: classification and measurement, impairment and hedge accounting.

Adoption of the new standard had no significant impact on the financial statements items.

- Interpretation IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, when defining the spot rate for use in initial recognition of the related asset, costs or revenues (or part of these) at the time of cancellation of a non-monetary asset or non-monetary liability relating to advance considerations, the transaction date is the date on which the entity initially recognises the non-monetary asset or non-monetary liability relating to advance considerations. For multiple payments or advances, the entity has to define the transaction date for each payment or advance consideration. This interpretation has had no impact on the Group's consolidated financial statements.

- Amendments to IAS 40 - Transfers of Investment Property

The amendments clarify when an entity should transfer a property, including properties under construction or development, into or out of the item Investment property. The amendment establishes that there is a change in use when the property satisfies, or ceases to satisfy, its definition as investment property and when there is evidence of its change in use. A simple change in management's intentions regarding use of the property is not sufficient evidence of a change in use. These amendments have had no impact on the Group's consolidated financial statements.

- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment transactions

The IASB has issued amendments to IFRS 2 - Share-based Payment which cover three main areas: the effects of a vesting condition on the measurement of a share-based payment in cash; the classification of a share-based payment transaction settled net of withholding obligations; the accounting treatment if a change in the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. On adoption, entities must apply the amendments without restating past periods, but retrospective application is permitted if chosen for all three amendments and other criteria are complied with. These amendments have had no impact on the Group's consolidated financial statements.

- Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments concern problems arising from adoption of the new standard on financial instruments, IFRS 9, before adopting IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: temporary exemption from IFRS 9 application and the overlay approach. These amendments do not apply to the Group.

- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures - Clarifying that the initial recognition of an investment at fair value through profit or loss is an option available for each investment in an associate or joint venture.

The amendments clarify that an entity classed as a venture capital organisation or other qualified entity, at the time of initial recognition and in reference to each investment, can decide to designate its investments in associates and joint ventures at fair value through profit or loss.

If an entity not qualifying as an investment entity has an interest in an associate or joint venture that is an investment entity, when applying the equity method the entity can decide whether to keep the fair value measurement applied by that investment entity (an associate or a joint venture) when measuring its own investments (in the associate or joint venture). This decision is made separately for each associate or joint venture in which an entity has an interest at the last (in terms of occurrence) of the following dates: (a) initial recognition of the investment in an associate or joint venture that is an investment entity, (b) when the associate or joint venture becomes an investment entity and (c) when the associate or joint venture that is an investment entity becomes a parent company for the first time. These amendments have had no impact on the Group's consolidated financial statements.

- Amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards - Deletion of Short-Term Exemptions for First-Time Adopters

The short-term exemptions envisaged in paragraphs E3-E7 of IFRS 1 have been deleted as they have now served their intended purpose. These amendments have had no impact on the Group's consolidated financial statements.



The main aspects introduced by new standards already approved by the European Union but applicable from 2019 are presented below.

- IFRS 16 – Leases

Regulation (EC) no. 2017/1986 issued on 31 October 2017 by the European Commission approved IFRS 16 - Leases, which replaces IAS 17 and related interpretations. In particular, IFRS 16 defines a lease as a contract that attributes to entities acting as lessees the right of use of an asset for a certain period of time in exchange for payment. The new standard eliminates the separate classification of operating or finance leases for preparation of the financial statements of entities acting as lessees. Specifically, the following is required for all leases with a duration of more than 12 months:

- in the Statement of Financial Position, recognition of a right-of-use asset (ROU), and of a lease liability representing the obligation to make the contractual payments. As permitted by the standard, right-of-use assets and lease liabilities are recognised in items separated from other asset and liability items;
- in the Income Statement, recognition of the amortisation on the right-of-use assets and accrued interest expense on the lease liability, instead of recognising operating lease payments among operating costs. The Income Statement will also include: (i) lease payments relating to short-term leases of moderate value, as permitted in simplified form by IFRS 16; and (ii) variable lease payments not included in the lease liability calculation;
- in the Statement of Cash Flows, recognition of lease liability repayments among the net cash flows from financing activities and of interest expense among net cash flows from operating activities, if recorded in the Income Statement. Consequently, compared to the provisions of IAS 17 in reference to operating leases, the application of IFRS 16 results in an impact on the Statement of Cash Flows in that it determines: (a) an improvement in net cash flows from operating activities, which no longer includes lease payments, but outlay for interest expense on the lease liability; (b) a decline in net cash flows from financing activities that will include outlay associated with repayment of the lease liability.

This standard, approved by the European Union, is applicable from 1 January 2019. The Group will apply the new standard from its entry into force.

The Group has completed the preliminary assessment of potential impact deriving from application of the new standard as at the transition date (1 January 2019). This process was in several steps, including full mapping of the contracts potentially eligible as containing a lease and their analysis to understand the main clauses relevant for IFRS 16.

This analysis showed material effects on the accounting representation of the item Non-current assets and on Non-current financial debt as, to conduct its activities, the Fiera Milano Group uses exhibition sites and warehouses leased from the controlling entity Fondazione Fiera Milano and from third parties.

On first-time adoption, the Group intends to use the modified retrospective approach i.e. the option not to restate the comparative figures from previous years. Based on this criterion, the lease liability is measured on the basis of residual lease payments, discounted at the marginal lending rate as at the date of first-time adoption. The carrying amount of the lease liability is equal to the carrying amount of the right-of-use asset (or ROU asset) at the transition date. The value of lease-related prepayments recognised in the Statement of Financial Position at the reporting date will be reclassified under the item ROU assets on first-time adoption of the standard in question.

In addition, the Group will adopt the exemption permitted by the standard for short-term leases (with a duration of less than 12 months) for all asset classes and for leases in which the underlying asset is of a modest unit value. Contracts for which the exemption was applied are mainly in the categories: computers, telephones and tablets; office and multi-function printers and other electronic devices.

For these contracts, the introduction of IFRS 16 will not require recognition of a lease liability and related right of use, but rather the lease payments will be recognised in the Income Statement on a straight-line basis over the duration of the respective contracts.

The transition to IFRS 16 introduces certain elements of professional opinion and the use of assumptions and estimates relating to the lease duration and definition of the marginal lending rate. The main elements can be summarised as follows:

- the contract renewal clauses are considered in determining the duration when their exercise is deemed reasonably certain, i.e. when the Group has the option of exercising the renewal without first obtaining consent from the counterparty. In particular, this criterion led to the determination of a residual duration of around 13 years for rent on the exhibition structures leased from the controlling entity Fondazione Fiera Milano;
- the discounting rate used to calculate the lease liability is determined, as described below, by a base rate that reflects the financial market performance, plus a market spread that reflects the risk premium required by lenders taking into account the lease duration. The 10-year IRS rate recorded at 1 January 2019 was used as the base rate, whilst the market spread was established by considering a list of companies comparable with Fiera Milano, listed and operating in the exhibition sector.

The average rate used was therefore calculated as 2.81%.

Based on available data, the adoption of IFRS 16 involves the recognition of right-of-use assets and lease liabilities at 31 December 2018 totalling Euro 523 million. This estimate could change in relation to developments from any IFRIC interpretations, as well as streamlining of the preparation process following the first-time adoption of the standard in 2019 financial reporting.

- With regard to accounting standards issued by the IASB, approved by the European Commission but not yet entered into force, also note the fact that Regulation (EC) no. 2018/1595 issued on 23 October 2018 by the European Commission also approved IFRIC 23 - Uncertainty over Income Tax Treatments, containing indications for the accounting of tax assets and liabilities (current and/or deferred) relating to income taxes in the presence of uncertainties regarding application of the tax regulations. The provisions of IFRIC 23 are applicable from financial years starting on or after 1 January 2019. Analyses to assess the impact of the new provisions are currently in progress.

### 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 decisions:

- the Consolidated Statement of Financial Position is presented with separate sections for Assets, Liabilities and Equity. Assets and liabilities are also recognised according to their classification 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;
- 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

These Consolidated Financial Statements include the Parent Company Fiera Milano SpA, its subsidiaries and companies under joint control.

The Consolidated Financial Statements are based on financial statements as at 31 December 2018 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.

In relation to the area of consolidation, note that:

- On 6 December 2018, the deed of merger by incorporation of the wholly-owned subsidiary company Ipack-Ima SpA into the controlling entity Fiera Milano SpA was signed, which became legally effective from 14 December 2018. The signature of this deed follows the resolution of the Board of Directors of Fiera Milano SpA and of the Shareholders' Meeting of Ipack-Ima SpA dated 28 September 2018. The decision to merge was taken by the Board of Directors pursuant to the combined provisions set forth in articles 2502 and 2505 of the Italian Civil Code and in accordance with article 17.1 of the articles of association.
- On 4 December 2018, the governance agreement regarding MiCo DMC Srl with the partner AIM Group International SpA was amended, establishing a greater degree of collaboration for business management decisions. In application of IFRS 11, these agreements qualify the company as a joint venture and, from 31 December 2018, entail calculating the value of the investment by the equity method instead of line-by-line consolidation.
- With regard to foreign operations, note the acquisition - through incorporation of the NewCo Hannover Milano Best Exhibitions (Guangzhou) Co., Ltd. - of the LET China – Logistics Equipment & Technology exhibition which is held in Guangzhou and is the keynote event for logistics and transport systems in China and South-East Asia.

The list of companies included in the area of consolidation at 31 December 2018 is provided in Attachment 1.

#### Subsidiaries

Subsidiaries are consolidated from the date when control is effectively transferred to the Group and are deconsolidated on the date when control is transferred to third parties.

The carrying amount 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 consolidated on a line-by-line basis. Acquisitions of subsidiaries are recognised using the acquisition method, as required by IFRS 3 – Business Combinations revised in 2008.

The total capital and reserves of subsidiaries that qualify as non-controlling interests are recognised in equity under “Capital and reserves: non-controlling interests”. Similarly, the portion of consolidated profit attributable to non-controlling interests is shown under “Net profit (loss) - non-controlling interests”.

#### Joint Ventures

A joint venture is a joint arrangement whereby the parties with joint control 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 in compliance with IAS 28 - Long-term Interests in Associates and Joint Ventures.

In the transition from proportionate consolidation to the equity method the interest in the joint venture is recognised 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 amounts of the joint venture and 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 translation of the results for the year, are aggregated in a specific equity reserve recognised under other comprehensive income.

The exchange rates used for the translation into Euros of the 2018 and 2017 financial statements of foreign companies were the following:

	average 2018	average 2017	31/12/18	31/12/17
South African rand	15.6186	15.0434	16.4594	14.8054
Brazilian reals	4.3085	3.6041	4.444	3.9729
Russian rouble	74.0416	65.8877	79.7153	69.392
Indian rupee	80.7332	73.498	79.7298	76.6055

Source: Banca d'Italia

## 1.5 Summary of accounting standards and valuation criteria

### Business combinations

Business combinations are accounted for by applying the acquisition method in accordance with IFRS 3 – Business Combinations, revised in 2008. Under this method, the transaction cost of a business combination is measured at fair value, determined as the sum of fair values of the assets transferred and the liabilities assumed by the Group at the acquisition date and the equity instruments issued in exchange for control of the acquired entity. All other costs associated with the transaction are recognised in the Statement of Comprehensive Income at the time they are incurred.

Contingent considerations, considered part of the transfer price, are measured at fair value at the acquisition date. Subsequent changes to the fair value are recognised through other 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 considerations transferred for the business combination, the equity value pertaining to non-controlling interests and the fair value of any previously held equity interest in the acquired entity and the fair value of net assets acquired and liabilities assumed at the acquisition date. If the difference between the net acquisition-date amounts of the assets and liabilities exceeds the considerations transferred, the equity value pertaining to non-controlling interests and the fair value of any previously held equity interest in the acquired entity, the excess is immediately recognised in the Statement of Comprehensive Income as income deriving from the transaction.

The equity pertaining to non-controlling interests at the acquisition date may be measured at fair value or in proportion to the percentage non-controlling interest in the identifiable net assets of the acquired entity. The measurement method is carried out transaction by transaction.

In the fair value measurement process for business combinations, the Fiera Milano Group uses available information and, for more material business combinations, also uses the support of external appraisals.

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 Group's 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 the statement of comprehensive income. Previously held investments are therefore recognised as though they had been sold and reacquired at the date that control is obtained.

### Puttable instruments

In relation to non-hedging derivatives, both the IASB and the Italian Civil Code envisage that after initial measurement, subsequent measurement must be at fair value and any changes recognised in the Income Statement.

The concession of put options to minority shareholders gives the latter the right to request that, at a future date, the Group buys back the shares they hold. Paragraph 23 of IAS 32 establishes that a contractual right to receive cash or another financial asset from an entity constitutes a financial liability for the present value of the exercise price of the option. Therefore, where the entity does not have the unconditional right to avoid delivering cash or other financial instruments when a put option on shares of subsidiaries is exercised, it must recognise the financial liability. The financial liability is initially recognised at fair value corresponding to the present value of the amount to be reimbursed, estimated on the best information available, and changes in the fair value between one financial period and another are recognised in the income statement under financial income/expenses.

If the contract expires without delivery, the carrying amount of the financial liability is transferred to equity.

### Transactions involving non-controlling interests

Changes to a percentage interest in a subsidiary where control is retained are accounted for as equity transactions. Consequently, for acquisitions after gaining control, any gain or loss between the acquisition cost and the corresponding share of equity is recognised directly in Group equity. Any capital gain on the partial disposal of an investment in a subsidiary where control is retained is likewise recognised directly in Group equity.

In cases where the partial disposal of subsidiaries results in loss of control, the residual investment is adjusted to the related fair value and the remeasurement qualifies as a capital gain (loss) on the transaction.

## TANGIBLE FIXED ASSETS

### Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost, including directly attributable expense, and adjusted for accumulated depreciation.

Tangible assets are systematically depreciated each year on a straight-line basis, using economic/technical rates determined by the residual useful life of the assets.

Routine maintenance costs are charged to the income statement 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 the income statement.

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 lease.

The depreciation rates applied are listed below:

- Office furniture and machinery	12%
- Exhibition furniture and equipment	27%
- Components for stands to be hired out	40%
- 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 impairment tested using the procedure illustrated in the paragraph "Impairment of assets".

### INTANGIBLE FIXED ASSETS

An intangible asset is recognised only if it is identifiable and controllable, is expected to generate future economic benefits, and 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 impairment test purposes, allocated to a cash generating unit or group of cash generating units which benefit from the synergies permitted by the acquisition that generated the goodwill. After initial recognition, goodwill is measured at cost less any impairment loss stemming from the impairment tests (see the paragraph "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 cash 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, they are impairment tested using the procedure illustrated in the paragraph "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 assessment of their lifetime. 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 in the income statement at the time they are incurred. In compliance with IAS 38, development costs relating to specific projects, including the launch of new exhibitions, are capitalised when it is probable that the generation of future economic benefits is reasonably certain and when their costs can be reliably measured and amortised in the period when the expected future benefits are realised for the same project. The carrying amount 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 systematically tested for impairment at the end of the reporting period, or more often if impairment indicators emerge.

Tangible and intangible assets with a definite useful life that are depreciated or amortised are tested for impairment only when there are indications of impairment.

Whether recognised values can be recovered was verified by comparing the carrying amount against the higher between the net sale price and the value in use of the asset. The net sale price is the amount obtainable from the sale of an asset in a transaction between willing and able third parties, less costs to sell. In the absence of binding agreements, prices listed on an active market, or the best information available taking into account recent transactions involving identical or similar assets in the same business sector, are used as reference. The value in use is calculated by discounting, at a rate expressing the weighted average cost of capital of a company with a similar risk profile and debt profile, the expected cash flows from use of the asset (or group of assets, i.e. cash generating units) and its disposal 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 amount 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 recognised if there had been no impairment. Reversal of impairment is recognised in the income statement.

## 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 ownership of the asset to the lessee.

Given this, under IAS 17 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 at the end of the lease term;
- the lessee has the option of purchasing the asset at a price 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 that the option will be exercised;
- the lease term covers most of the economic life of the asset, even if ownership is not transferred;

- at the inception of the lease, the present value of minimum lease payments due is at least equal 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 the Group under contracts qualifying as finance leases are recognised as tangible or intangible assets at the lower of the fair value at the purchase date and the discounted value of minimum lease payments due and amortised over the estimated useful life. The corresponding liability to the lessor is recognised in the Statement of Financial Position 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 the income statement under financial expenses.

For operating leases, the lease payments are recognised in the income statement pro rata temporis for the duration of the lease.

### FINANCIAL ASSETS

IFRS 9 requires that if specific options are not exercised, financial instruments are classified according to the following criteria:

- Business Model defined by the entity for financial instruments management, and
- characteristics of the contractual cash flows of the financial instruments.

IFRS 9 envisages three asset categories:

- Assets held to collect the contractual cash flows (or Hold to Collect; HTC), measured at amortised cost;
- Assets held to collect the contractual cash flows and to be sold (or Hold to Collect and Sell; HTCS), designated at fair value through profit or loss (FVTPL) or through other comprehensive income (FVOCI);
- Other financial assets designated at fair value through profit or loss. This residual category can include all business models other than those mentioned above.

The financial assets are initially recognised at fair value, normally represented by the transaction price, plus any accessory charges on the purchase.

The amortised cost criterion offers the best representation in the financial statements for financial assets comprising debt securities and receivables, in that it allows the interest to be spread over the holding period, in compliance with accrual accounting.

Subsequent measurement after initial recognition is at amortised cost or fair value, and these methods are applied according to the category of the financial instrument concerned.

With regard to the classification of financial liabilities, IFRS 9 envisages a general rule by which the entity measures the financial liabilities at amortised cost using the effective interest method (as previously under IAS 39). As regards assets and liabilities measured at fair value, any changes in value are recognised in the income statement, therefore helping to determine the profit or loss for the year. However, if the changes are caused by a change in credit risk, the changes in fair value are recognised in equity.

Assets classed as held to maturity are recognised among current financial assets if the maturity is less than twelve months, or as non-current if greater. They are subsequently measured 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 measured 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 flows.



Available-for-sale assets are recognised as non-current assets, unless they are to be divested within twelve months from the end of the reporting period, and are measured at fair value. Losses or gains from fair value measurement are recognised in other comprehensive income and aggregated in a specific equity reserve until they are sold, recovered or otherwise derecognised.

### Investments

Investments fall under the scope of application of the IFRS 9 classification and measurement criteria for equity investments, excluding interests in subsidiaries, associates and joint ventures and companies under their control which are instead classed as equity instruments under IAS 32. In this residual category, the investments are designated at fair value through other comprehensive income.

Investments in associates identified as joint ventures are measured using the equity method, which envisages recognition in a specific item of comprehensive income of the Group share of the profit or loss of 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 estimate 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 for 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 amount 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 amount and their fair value less costs to sell.

If an asset that is depreciated or amortised is reclassified to this item, the depreciation or amortisation process is discontinued at the time of reclassification.

In compliance with IFRS 5, figures for discontinued operations are presented as follows:

- in two specific items of the Consolidated Statement of Financial Position: Assets held for sale and Liabilities held for sale;
- in a specific item of the Consolidated Statement of Comprehensive Income: Net profit/loss for the period from discontinued operations.

## EQUITY

### Treasury shares

The nominal value of treasury shares is deducted from share capital and any amount in excess of nominal 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 deducted from the share premium reserve. Regarding the sale of treasury shares, the share capital and the share premium reserve are reconstituted by the same amounts as the reductions applied when the shares were acquired while any gains/losses from the sale is recognised in equity, under other reserves, with no impact on the income statement. The shares taken as reference for the calculation of gains/losses on disposal are selected using the FIFO method.

### Stock Grants

In accordance with IFRS 2 - Share-based Payment, the total fair value of stock grants at the assignment date was recognised in full in the Income Statement under personnel costs, over the entire period between the assignment date and their vesting date, with a reserve recognised in equity as a balancing entry.

The fair value of the stock grants was measured at their assignment date, reflecting the arm's length value at that date.

If a "vesting period" is envisaged in which certain conditions (targets reached) have to be satisfied in order for the assignees to become rights holders, the remuneration costs, determined on the present value of the shares at the assignment date, are recognised under personnel costs on a straight-line basis over the period between the assignment date and the vesting date.

If a stock grant is assigned at the end of the vesting period, a corresponding increase in equity is recognised.

### 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 the underlying financial obligations have been discharged.

If they have a due date exceeding twelve months, the 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 is a financial instrument or other form of contract with the following characteristics: (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, a credit rating, or another pre-established underlying variable; (ii) it requires no net initial investment or, if initial investment is required, 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. Derivatives are classified as financial instruments and therefore adjusted to fair value at the end of each year. The effects of fair value adjustments are recognised in the income statement as financial income/expenses.

### PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are allocated when the Group must meet a present obligation (legal or implicit) 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 potential liabilities", and no provisions are allocated for these.

### BANK BORROWINGS AND OTHER FINANCIAL LIABILITIES

Financial payables are initially recognised at cost, represented by the fair value of the funds received net of accessory charges incurred in acquiring the loan. After initial recognition, borrowings are measured at amortised cost, calculated using the effective interest rate method. Amortised cost is calculated by 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 termination 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 severance indemnities are considered a defined benefit plan, i.e. a plan consisting of benefits provided post-employment, which constitutes a future obligation for which the Group assumes actuarial risks and related investments. As required by IAS 19, 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 comprehensive income. From 1 January 2007, following the 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 accrued 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 terminating the employment of an employee or group of employees before the normal retirement date or provides termination benefits as a result of an incentive to 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

Revenues are recognised when contractual obligations are fully satisfied and the customer acquires control of the assets transferred. They 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 provision of services is recognised when the service is provided. In compliance with paragraph 31 et seq. of IFRS 15, services relating to exhibitions and congresses are transferred to the customer during the exhibitions and events, the duration identifying the period in which most of the related costs are incurred. Likewise, such revenues are recognised during the exhibition or event as the funds used and costs incurred are also spread over the exhibition/event duration.

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 the income statement in the period in which they are incurred.

### **OTHER INCOME**

This item has a residual nature and includes revenues from grants and subsidies.

### **FINANCIAL INCOME AND EXPENSES**

Financial income and expenses are recognised in the accounts based on timing that considers the effective return/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 the income statement, except those relating to items charged or credited directly in equity, the tax effect of which 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 offsetting.

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 the income statement. Exchange rate differences are recognised in financial income and expenses.

### **DIVIDENDS**

Dividend income is recognised when the shareholders' right to receive payment has been established. This is normally the date of the Annual Shareholders' Meeting 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 shareholders 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 the 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 receivables, 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 the income statement.

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 systematically tested for impairment at least annually, or more often if impairment indicators emerge. The impairment test calls for a discretionary estimate of the values in use of the cash generating unit to which the goodwill is attributed, in turn based on the estimate of future cash flows of the CGU and their discounting at a specified discount rate.

Whether recognised values can be recovered was verified by comparing the carrying amount against the higher between the net sale price and the value in use of the asset. The net sale price is the amount obtainable from the sale of an asset in a transaction between willing and able third parties, less costs to sell. In the absence of binding agreements, prices listed on an active market are used as reference or calculated according to IFRS 13 - Fair Value Measurement. The value in use is calculated by discounting, at a rate expressing the weighted average cost of capital of a company with a similar risk profile and debt profile, the expected cash flows from use of the asset (or group of assets, i.e. cash generating units) and its disposal at the end of its useful life.

- *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 calls for a discretionary estimate of the values in use of the cash generating unit to which the asset is attributed, in turn based on the estimate of future cash flows of the CGU and their discounting at a specified discount rate.
- *Deferred tax assets* recognised against tax losses carried forward and other taxable temporary differences to the extent that it is probable there will be sufficient future taxable income against which these tax losses and other taxable temporary differences can be used. The Directors must make a significant discretionary assessment of the amount of deferred tax assets to be recognised. The Company's Business Plan was taken into consideration when verifying the recoverability of deferred tax assets.
- *Provisions for risks and charges* are subject to discretionary estimates using the best available information at the date of these Financial Statements and based on historic and future data regarding the likely outcome of legal disputes or events, for which assessment of the risk profiles and likely financial impact is uncertain and complex and could result in an adjustment to the 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 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 estimates.

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.

Following the adoption of IFRS 11 - Joint Arrangements, the Group assessed that the joint control contract represents a joint venture. In effect, the 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 or on individual liabilities 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 39.47% in 2017 to 40.28% in 2018.

The income and equity values of the joint venture and the Group's share are summarised in the tables below:

HANNOVER MILANO GLOBAL GERMANY GMBH	(€'000)	
	31/12/18	31/12/17
Current assets	2,764	2,233
Non-current assets	8,864	8,497
Current liabilities	14,108	12,851
Net financial debt/(cash)	(23,330)	(24,438)
<b>Equity</b>	<b>20,850</b>	<b>22,317</b>
<b>Book value of the joint venture</b>	<b>9,706</b>	<b>10,250</b>

HANNOVER MILANO GLOBAL GERMANY GMBH	(€'000)	
	2018	2017
Total revenues and other income	44,460	43,523
Total operating costs	(31,773)	(30,629)
Depreciation and amortisation	(387)	(360)
Interest income	(50)	129
Interest payable	(4)	(16)
<b>Profit/(loss) before tax</b>	<b>12,246</b>	<b>12,647</b>
Income tax	(4,336)	(4,239)
<b>Profit/(loss) for the year</b>	<b>7,910</b>	<b>8,408</b>
<b>Group profit/(loss)</b>	<b>3,184</b>	<b>3,269</b>

On 16 October 2015, Ipack Ima Srl was established with share capital of Euro 20 thousand, in which the Group has a 49% interest. The investment is a joint venture with Promo Pack Srl and is accounted for using the equity method.

On 1 January 2016, the two business units relating to exhibitions, Ipack-Ima for the Fiera Milano Group and Food Pack for UCIMA, were transferred. This partnership forms part of The Innovation Alliance project, the major production chain event, established with the aim of offering professional operators from every industrial sector a wide range of machines, technologies and services.

The Ipack-Ima exhibition, held every three years as part of "The Innovation Alliance" recorded a profit in 2018.

The income and equity values of the joint venture and the Group's share are summarised in the tables below:

	(€'000)	
<b>IPACK IMA SRL</b>	<b>31/12/18</b>	<b>31/12/17</b>
Current assets	545	4,282
Non-current assets	5,510	5,747
Current liabilities	1,463	8,253
Non-current liabilities	1,269	500
Net financial debt/(cash)	(2,182)	(186)
<b>Equity</b>	<b>5,505</b>	<b>1,462</b>
<b>Book value of the joint venture</b>	<b>2,697</b>	<b>716</b>

	(€'000)	
<b>IPACK IMA SRL</b>	<b>2018</b>	<b>2017</b>
Total revenues and other income	17,194	125
Total operating costs	(11,293)	(1,576)
Depreciation and amortisation	(237)	(241)
Interest payable	(13)	(41)
<b>Profit/(loss) before tax</b>	<b>5,651</b>	<b>(1,733)</b>
Income tax	(1,598)	373
<b>Profit/(loss) for the year</b>	<b>4,053</b>	<b>(1,360)</b>
<b>Group profit/(loss)</b>	<b>1,986</b>	<b>(666)</b>

At 31 December 2018 and at 31 December 2017, there were no potential liabilities or material obligations relating to the investment of the Parent Company in the joint ventures.

On 4 December 2018, the governance agreement regarding MiCo DMC Srl with the partner AIM Group International SpA was amended, establishing a greater degree of collaboration for business management decisions. In application of IFRS 11, these agreements qualify the company as a joint venture and, from December 2018, entail calculating the value of the investment by the equity method. Line-by-line consolidation referred to income statement items for the year, whilst equity values were included in the item "Equity accounted investments".

The equity values of the joint venture and the Group share are summarised in the following table:

	(€'000)
<b>MICO DMC SRL</b>	<b>31/12/18</b>
Current assets	1,593
Non-current assets	165
Current liabilities	1,570
Non-current liabilities	175
Net financial debt/(cash)	(158)
<b>Equity</b>	<b>171</b>
<b>Book value of the joint venture</b>	<b>87</b>

Attachment 2 to the Financial Statements of Fiera Milano SpA provides summary financial reporting on subsidiaries, joint ventures and associates.



### 3) SEGMENT REPORTING

In compliance with IFRS 8, the identification of operating segments and related information is based on the data used by management to make 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 new strategic direction and the process of reorganising the Group, with a view to greater integration of sales and operating processes, has entailed changing the internal organisation structure and the performance measurement system. In particular, all activities carried out by Fiera Milano SpA and Nolostand SpA were grouped into a single operating segment “Italian Exhibitions Business”, as described in greater detail in Note 6 on Cash Generating Units.

Consequently, based on the management approach, the operating segments were defined as follows:

- **Italian Exhibitions Business:** 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; through the provision of stand-fitting, technical and site services associated with exhibition and congress business; through the provision of project support and 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 contracting out of spaces and services.

These activities are carried out by the Parent Company Fiera Milano SpA, Ipack Ima Srl, La Fabbrica del Libro SpA and Nolostand SpA.

- **Foreign Exhibitions Business:** 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, in partnership with third parties or acting as agents.

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 China Ltd and Hannover Milano Fairs Shanghai Co. Ltd. and through its 51% investee, Hannover Milano Best Exhibitions Co. Ltd. It also operates in India through the subsidiary Hannover Milano Fairs India Pvt 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 registered office in New Delhi;
- Limited Liability Company Fiera Milano, with registered office in Moscow;
- Fiera Milano Exhibitions Africa PTY Ltd (hereinafter “Fiera Milano Africa”), with its registered office in Westlake - Cape Town.
- **Media:** this segment covers the production of content and supply of online and offline publishing services, as well as those associated with the organisation of events and congresses by Fiera Milano Media SpA.
- **Congresses:** this segment covers the management of congresses 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 at 31 December 2018 and 31 December 2017.

(€'000)

<b>INCOME STATEMENT TO 31/12/18</b>	<b>Italian Exhibitions Business</b>	<b>Foreign Exhibitions Business</b>	<b>Media</b>	<b>Congresses</b>	<b>Adjustments</b>	<b>Consolidated</b>
Revenues from sales and services to third-parties	195,477	7,844	8,439	35,457	-	247,217
Revenues from intersegment sales and services	4,856	-	2,823	2,251	(9,930)	
<b>Total revenues</b>	<b>200,333</b>	<b>7,844</b>	<b>11,262</b>	<b>37,708</b>	<b>(9,930)</b>	<b>247,217</b>
<i>of which from Italy</i>						239,373
<i>of which from foreign activities</i>						7,844
Cost of materials	2,095	12	190	123	(10)	2,410
Cost of services	88,725	5,730	7,013	24,334	(11,750)	114,052
Cost for use of third-party assets	46,019	224	217	4,213	(330)	50,343
Personnel expenses	38,180	1,222	3,316	4,797	(478)	47,037
Other operating expenses	3,713	190	58	635	(71)	4,525
<b>Total operating expenses</b>	<b>178,732</b>	<b>7,378</b>	<b>10,794</b>	<b>34,102</b>	<b>(12,639)</b>	<b>218,367</b>
Other income	4,164	670	286	395	(2,709)	2,806
Profit/(loss) of equity accounted companies	1,986	3,184				5,170
Allowance for doubtful accounts and other provisions	3,966	621	203	173		4,963
<b>EBITDA</b>	<b>23,785</b>	<b>3,699</b>	<b>551</b>	<b>3,828</b>	<b>-</b>	<b>31,863</b>
<i>of which from Italy</i>						28,164
<i>of which from foreign activities</i>						3,699
Depreciation of property, plant & equipment	2,480	142	17	1,332		3,971
Depreciation of property investments						
Amortisation of intangible assets	1,309	254	235	39	63	1,900
Adjustments to asset values			917			917
<b>EBIT</b>	<b>19,996</b>	<b>3,303</b>	<b>-618</b>	<b>2,457</b>	<b>(63)</b>	<b>25,075</b>
<i>of which from Italy</i>						21,835
<i>of which from foreign activities</i>						3,240
Financial income and similar						279
Financial expenses and similar						402
Valuation of financial assets						(29)
<b>Profit/(loss) before income tax</b>						<b>24,923</b>
Income tax						6,353
<b>Profit/(loss) from continuing operations</b>						<b>18,570</b>
<b>Profit/(loss) from discontinued operations</b>						<b>-</b>
<b>Profit/(loss) for the year</b>						<b>18,570</b>
Profit/(loss) attributable to non-controlling interests						(278)
<b>Group profit/(loss)</b>						<b>18,848</b>

(€'000)

<b>STATEMENT OF FINANCIAL POSITION DATA AT 31/12/18</b>	<b>Investments</b>	<b>Depreciation and amortisation of non-current assets</b>
Italian Exhibitions Business	2,165	3,789
Foreign Exhibitions Business	350	396
Media	-	252
Congresses	120	1,371
Adjustments	-	63
<b>Total</b>	<b>2,635</b>	<b>5,871</b>

(€'000)

<b>INCOME STATEMENT TO 31/12/17</b>	<b>Italian Exhibitions Business</b>	<b>Foreign Exhibitions Business</b>	<b>Media</b>	<b>Congresses</b>	<b>Adjustments</b>	<b>Consolidated</b>
Revenues from sales and services to third-parties	202,744	5,096	7,897	40,611	-	256,348
Revenues from intersegment sales and services	3,699	-	2,944	5,549	(12,192)	
<b>Total revenues</b>	<b>206,443</b>	<b>5,096</b>	<b>10,841</b>	<b>46,160</b>	<b>(12,192)</b>	<b>256,348</b>
<i>of which from Italy</i>						251,252
<i>of which from foreign activities</i>						5,096
Cost of materials	3,094	53	140	62	(121)	3,228
Cost of services	100,555	5,289	6,348	34,724	(13,616)	133,300
Cost for use of third-party assets	45,393	533	232	4,104	(394)	49,868
Personnel expenses	39,509	1,747	3,923	4,454	(773)	48,860
Other operating expenses	4,523	489	55	317	14	5,398
<b>Total operating expenses</b>	<b>193,074</b>	<b>8,111</b>	<b>10,698</b>	<b>43,661</b>	<b>(14,890)</b>	<b>240,654</b>
Other income	4,127	183	394	598	(2,698)	2,604
Profit/(loss) of equity accounted companies	(666)	3,269	-	-	-	2,603
Allowance for doubtful accounts and other provisions	5,281	357	128	75	-	5,841
<b>EBITDA</b>	<b>11,549</b>	<b>80</b>	<b>409</b>	<b>3,022</b>	<b>-</b>	<b>15,060</b>
<i>of which from Italy</i>						15,030
<i>of which from foreign activities</i>						30
Depreciation of property, plant & equipment	2,811	201	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	1,596	24	1,234	-	-	2,854
<b>EBIT</b>	<b>5,339</b>	<b>(436)</b>	<b>(1,196)</b>	<b>1,726</b>	<b>(61)</b>	<b>5,372</b>
<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						-
<b>Profit/(loss) before income tax</b>						<b>4,598</b>
Income tax						2,860
<b>Profit/(loss) from continuing operations</b>						<b>1,738</b>
<b>Profit/(loss) from discontinued operations</b>						<b>-</b>
<b>Profit/(loss) for the year</b>						<b>1,738</b>
Profit/(loss) attributable to non-controlling interests						101
<b>Group profit/(loss)</b>						<b>1,637</b>

(€'000)

<b>STATEMENT OF FINANCIAL POSITION DATA AT 31/12/17</b>	<b>Investments</b>	<b>Depreciation and amortisation of non-current assets</b>
Italian Exhibitions Business	2,380	4,614
Foreign Exhibitions Business	129	492
Media	10	371
Congresses	1,873	1,296
Adjustments	-	61
<b>Total</b>	<b>4,392</b>	<b>6,834</b>

## 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 are given below:

PROPERTY, PLANT AND EQUIPMENT										(€'000)
	Balance at 31/12/16	Changes during the financial year							Balance at 31/12/17	
		Incr.	Decr.	Depr.	Impairment	Currency translation differences	Transfers to joint venture	Reclassification		
<b>Plant and machinery</b>										
. historic cost	17,501	964	-	-	-	-	-	-	-	18,465
. depreciation	15,346	-	-	675	-	-	-	-	-	16,021
Net	2,155	964	-	675	-	-	-	-	-	2,444
<b>Industrial and commercial equipment</b>										
. 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
<b>Other assets</b>										
. historic cost	57,829	1,581	970	-	118	(35)	-	-	-	58,287
. depreciation	49,833	-	854	1,791	88	(3)	-	-	-	50,679
Net	7,996	1,581	116	1,791	30	(32)	-	-	-	7,608
<b>Contracts in progress and pre-payments</b>										
. historic cost	-	76	-	-	-	-	-	-	-	76
Net	-	-	-	-	-	-	-	-	-	76
<b>Total property, plant and equipment</b>										
. historic cost	112,168	3,892	1,461	-	389	(35)	-	-	-	114,175
. depreciation	97,659	-	1,261	4,318	303	(3)	-	-	-	100,410
<b>Net</b>	<b>14,509</b>	<b>3,892</b>	<b>200</b>	<b>4,318</b>	<b>86</b>	<b>(32)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,765</b>

**PROPERTY, PLANT AND EQUIPMENT**

(€'000)

	Balance at 31/12/17	Changes during the financial year							Balance at 31/12/18
		Incr.	Decr.	Depr.	Impairment	Currency translation differences	Transfers to joint venture	Reclassification	
<b>Plant and machinery</b>									
. historic cost	18,465	183	-	-	-	-	-	270	18,918
. depreciation	16,021	-	-	616	-	-	-	277	16,914
Net	2,444	183	-	616	-	-	-	(7)	2,004
<b>Industrial and commercial equipment</b>									
. historic cost	37,347	654	1,316	-	-	-	-	(243)	36,442
. depreciation	33,710	-	1,256	1,654	-	-	-	(250)	33,858
Net	3,637	654	60	1,654	-	-	-	7	2,584
<b>Other assets</b>									
. historic cost	58,287	430	302	-	-	(63)	(30)	-	58,322
. depreciation	50,679	-	241	1,721	-	(50)	(11)	-	52,098
Net	7,608	430	61	1,721	-	(13)	(19)	-	6,224
<b>Contracts in progress and pre-payments</b>									
. historic cost	76	-	-	-	-	-	-	(76)	-
Net	76	-	-	-	-	-	-	(76)	-
<b>Total property, plant and equipment</b>									
. historic cost	114,834	1,267	1,618	-	-	(63)	(30)	(49)	114,341
. depreciation	101,069	-	1,497	3,991	-	(50)	(11)	27	103,529
<b>Net</b>	<b>13,765</b>	<b>1,267</b>	<b>121</b>	<b>3,991</b>	<b>-</b>	<b>(13)</b>	<b>(19)</b>	<b>(76)</b>	<b>10,812</b>

The breakdown and changes were as follows:

**Plant and machinery**

This item totalled Euro 2,004 thousand, net of depreciation for the year of Euro 616 thousand, and was mainly for electrical, heating, alarm and audiovisual systems.

The increase of Euro 183 thousand refers to Parent Company investments in plant and machinery for the Rho exhibition site.

**Industrial and commercial equipment**

This item totalled Euro 2,584 thousand, net of depreciation for the year of Euro 1,654 thousand, and was mainly for equipment and furnishings related to the exhibition business.

The increases amounted to Euro 654 thousand, of which Euro 551 thousand for investments of Nolostand SpA for the purchase of exhibition equipment and assets to be hired out during exhibitions, and Euro 103 thousand to the Parent Company for the purchase of furniture and fittings for exhibitions at the Rho exhibition site.

The decreases totalling Euro 60 thousand refer mainly to the residual value of wooden fittings disposed of by Nolostand SpA.

### Other assets

This item totalled Euro 6,224 thousand net of depreciation for the year of Euro 1,721 thousand; Euro 3,949 thousand was for improvements to the assets of Fondazione Fiera Milano and Euro 2,275 thousand was for furniture, furnishings, minor equipment, vehicles and electronic equipment.

The breakdown of the Euro 430 thousand increases was as follows:

- Fiera Milano Congressi SpA: Euro 98 thousand referring mainly to the purchase of electronic machines;
- the Parent Company: Euro 210 thousand referring mainly to electronic machines and furnishing accessories;
- Fiera Milano Africa: Euro 107 thousand referring to exhibition furnishings;
- other companies for the remaining Euro 15 thousand.

Depreciation of improvements to third-party assets is calculated on the residual duration of the real estate lease to which they refer.

### 5) LEASED PROPERTY, PLANT AND EQUIPMENT

The breakdown and changes in the last two financial years are given below:

LEASED PROPERTY, PLANT AND EQUIPMENT								(€'000)
	Balance at 31/12/16	Changes during the financial year					Balance at 31/12/17	
		Incr.	Decr.	Depr.	Currency translation differences	Reclassification		
<b>Leased property</b>								
. historic cost	10	-	-	-	-	-	10	
. depreciation	8	-	-	2	-	-	10	
Net	2	-	-	2	-	-	-	
<b>Total leased property, plant and equipment</b>								
. historic cost	10	-	-	-	-	-	10	
. depreciation	8	-	-	2	-	-	10	
<b>Net</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	

LEASED PROPERTY, PLANT AND EQUIPMENT								(€'000)
	Balance at 31/12/17	Changes during the financial year					Balance at 31/12/18	
		Incr.	Decr.	Depr.	Currency translation differences	Reclassification		
<b>Leased property</b>								
. historic cost	10	-	-	-	-	-	10	
. depreciation	10	-	-	-	-	-	10	
Net	-	-	-	-	-	-	-	
<b>Total leased property, plant and equipment</b>								
. historic cost	10	-	-	-	-	-	10	
. depreciation	10	-	-	-	-	-	10	
<b>Net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

## 6) GOODWILL

The breakdown and changes in this item in the last two financial years were as follows:

	Changes during the financial year					Balance at 31/12/17
	Balance at 31/12/16	Incr.	Decr.	Transfers to joint venture	Currency translation differences	
<b>Goodwill</b>						
. historic cost	110,813	-	-	-	-	110,813
. amortisation	16,597	-	-	-	-	16,597
<b>Net</b>	<b>94,216</b>	-	-	-	-	<b>94,216</b>

	Changes during the financial year					Balance at 31/12/18
	Balance at 31/12/17	Incr.	Decr.	Transfers to joint venture	Currency translation differences	
<b>Goodwill</b>						
. historic cost	110,813	-	-	(89)	-	110,724
. amortisation	16,597	-	-	-	-	16,597
<b>Net</b>	<b>94,216</b>	-	-	<b>(89)</b>	-	<b>94,127</b>

As described in the section on measurement 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 "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.

From the Interim Report for the third quarter of 2018, Fiera Milano segment reporting introduced a number of amendments necessary after major changes in the organisation and governance of the Group and the integration of certain operating and sales processes. More specifically, the "Italian Exhibitions Business" operating segment was established, which encompasses all of the activities relating to exhibitions held in the Exhibition Sites of **fieramilano - fieramilanocity** and the activities related to stand-fitting services.

In the new reportable segment "Italian Exhibitions Business", the CGUs correspond to individual exhibitions and include the activities carried out by the Parent Company Fiera Milano SpA and those of the subsidiary Nolostand SpA.

In the reportable segment "Foreign Exhibition Activities", the situation is different in countries where the Group holds its own exhibitions (such as Brazil) from countries where the Group operates through joint venture arrangements and trademark user licence agreements (such as China and India). In the first case, the CGUs correspond to individual exhibitions; in the second, the CGUs are represented by the individual reference market.

In the reportable segment “Media” various CGUs can be identified: one CGU includes all activities related to seminars and congresses (“events and training” CGU), other CGUs cover the publications broken down by industry (ho.re.ca sector and technology sector), digital services, advertising and sponsorship.

Lastly, in the reportable segment “Congresses”, two CGUs can be identified: for the activities of Fiera Milano Congressi SpA and its subsidiary MiCo DMC Srl.

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 Italian Exhibitions Business CGU grouping: includes the CGUs corresponding with all exhibitions organised and hosted by Fiera Milano SpA and the stand-fitting services provided by Nolostand SpA, for goodwill amounting to Euro 82,725 thousand (of which Euro 70,144 thousand related to transfers and acquisitions of exhibitions and Euro 12,581 thousand to stand-fitting services).
- The Publishing and Digital Services CGU grouping: includes the CGUs corresponding with publications and digital services and the advertising and sponsorship activities. The goodwill of Fiera Milano Media SpA was allocated to this CGU, for Euro 5,947 thousand, deriving from the acquisitions of publishing companies merged subsequently.
- The “Congresses” CGU: includes goodwill for Euro 5,455 thousand, deriving from the acquisition of Fiera Milano Congressi SpA.

The recoverable amount of the cash generating units or groups of CGUs to which individual goodwill amounts are allocated was verified by calculating the higher between the fair value net of costs to sell and the value in use.

The value in use is calculated using the discounted cash flow method, based on plans approved by the respective Boards of Directors of the Group companies. 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 respective plans were calculated by taking the average gross operating margin, i.e. EBITDA less impairment and provisions, for the whole period of the plan and reconstructing a normalised cash flow without considering changes in working capital but including maintenance or replacement investments. The terminal value is measured as a perpetual annuity obtained by capitalising the average net cash flows of the last four years of specific forecasting, using a discount rate calculated by reference country for the various CGUs. Zero growth in real terms was assumed, considering only the forecast level of medium/long-term inflation for the growth rate in the specific monetary area of reference. Only the Publishing and Digital Services CGU grouping did not include the forecast medium/long-term inflation rate in the growth factor, which therefore appears as a negative factor in real terms.

The WACC (Weighted Average Cost of Capital) used for activities in Italy includes: (i) a risk free rate of 2.61%; (ii) a market risk premium of 6.10%; (iii) a beta levered representing the sector average of 0.67; (iv) a specific risk premium that varied in the different CGUs; (v) a cost of debt equal to 2.81%; (vi) an incidence of debt on invested capital of 25% (the average for comparable companies).

The individual benchmarks were determined by using, as far as possible, publicly available sources. A rate net of taxes was used for cash flows net of taxes.

The WACC used in the different CGUs varies on the basis of: (i) the different risk free rate (assumed to be equal to the yield on 10-year government bonds of the CGU’s country of reference); (ii) the different specific risk coefficient covering execution risk relating to the forecast cash flows. This risk factor reflects the figures deriving from historic deviations between forecast and final figures, as well as forward-looking assessments of business initiatives; (iii) the different cost of debt based on the expected inflation rate in the individual reference monetary areas of each CGU. A summary of the results is given in the table below:

CGU	WACC
Italian Exhibitions Business	6.32%
Publishing and Digital Services	7.82%
Congresses	6.32%



There was no indication of impairment in any goodwill amount.

In addition, to verify that the CGU Grouping deriving from a change in the Operating Segments had no impact on the outcome of impairment tests, a calculation was also performed by grouping together cash flows and goodwill by the same methods applied last year, with the same positive result.

Sensitivity analyses were also carried out on existing goodwill, varying the WACC (+0.5%) and the forecast operating cash flows (-10%), achieving positive results except for the Publishing and Digital Services CGU for which, if there is a negative change of 10% in the forecast operating cash flows, the recoverable amount would be lower than the carrying amount by Euro 69 thousand.

## 7) INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

The breakdown and changes in the last two financial years are given below:

	Balance at 31/12/16	Changes during the financial year							Balance at 31/12/17
		Incr.	Decr.	Depr.	Impair- ment	Currency translation differences	Transfers to joint venture	Reclassification	
<b>Trademarks and publishing titles</b>									
. historic cost	38,341	-	-	-	-	(859)	-	-	37,482
. amortisation	22,969	-	-	1,244	2,768	(423)	-	-	26,558
Net	15,372	-	-	1,244	2,768	(436)	-	-	10,924
<b>Concessions, licenses and similar rights</b>									
. historic cost	3,685	66	-	-	-	-	-	-	3,751
. amortisation	3,363	-	-	199	-	-	-	-	3,562
Net	322	66	-	199	-	-	-	-	189
<b>Industrial patents and intellectual property rights</b>									
. 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
<b>Non-competition agreements</b>									
. historic cost	344	-	-	-	-	(54)	-	-	290
. amortisation	201	-	-	60	-	(40)	-	-	221
Net	143	-	-	60	-	(14)	-	-	69
<b>Intangible fixed assets under construction</b>									
. historic cost	17	13	-	-	-	-	-	(17)	13
Net	17	13	-	-	-	-	-	(17)	13
<b>Total intangible assets with a finite useful life</b>									
. historic cost	80,089	500	-	-	-	(957)	-	-	79,632
. amortisation	62,312	-	-	2,539	2,768	(480)	-	-	67,139
<b>Net</b>	<b>17,777</b>	<b>500</b>	<b>-</b>	<b>2,539</b>	<b>2,768</b>	<b>(477)</b>	<b>-</b>	<b>-</b>	<b>12,493</b>

(€'000)

## INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

	Balance at 31/12/17	Changes during the financial year						Balance at 31/12/18	
		Incr.	Decr.	Depr.	Impair- ment	Currency translation differences	Transfers to joint venture		Reclassification
<b>Trademarks and publishing titles</b>									
. historic cost	37,482	188	-	-	-	(649)	(10)	-	37,011
. amortisation	26,558	-	-	956	917	(372)	(4)	-	28,055
Net	10,924	-	-	956	917	(277)	(6)	-	8,956
<b>Concessions, licenses and similar rights</b>									
. historic cost	3,751	399	-	-	-	-	(21)	8	4,137
. amortisation	3,562	-	-	123	-	-	(11)	-	3,674
Net	189	399	-	123	-	-	(10)	-	463
<b>Industrial patents and intellectual property rights</b>									
. historic cost	38,096	601	314	-	-	(41)	-	5	38,347
. amortisation	36,798	-	308	758	-	(17)	-	-	37,231
Net	1,298	601	6	758	-	(24)	-	5	1,116
<b>Non-competition agreements</b>									
. historic cost	290	-	307	-	-	17	-	-	-
. amortisation	221	-	307	63	-	23	-	-	-
Net	69	-	-	63	-	(6)	-	-	-
<b>Intangible fixed assets under construction</b>									
. historic cost	13	180	-	-	-	-	-	63	256
Net	13	180	-	-	-	-	-	63	256
<b>Total intangible assets with a finite useful life</b>									
. historic cost	79,632	1,368	621	-	-	(673)	(31)	76	79,751
. amortisation	67,139	-	615	1,900	917	(366)	(15)	-	68,960
<b>Net</b>	<b>12,493</b>	<b>1,368</b>	<b>6</b>	<b>1,900</b>	<b>917</b>	<b>(307)</b>	<b>(16)</b>	<b>76</b>	<b>10,791</b>

## Trademarks and publishing titles

This item totalled Euro 8,956 thousand with the following breakdown:

- exhibition trademarks:
  - Host: Euro 1,633 thousand;
  - Mipap Milano Prêt-à-Porter: Euro 1,535 thousand;
  - Promotion Trade Exhibition: Euro 1,206 thousand;
  - Exposec: Euro 1,118 thousand;
  - Fisp: Euro 1,083 thousand;
  - Transpotec & Logitec: Euro 425 thousand;
  - Festivity: Euro 260 thousand;
  - Tubotech: Euro 179 thousand;
  - Miart: Euro 113 thousand;
  - BtoBio Expo: Euro 78 thousand;
  - Tuttofood: Euro 10 thousand;
  - Fruit&Veg Innovation: Euro 9 thousand.
- other trademarks and publishing titles:
  - Technology publications: Euro 675 thousand;
  - Business International: Euro 632 thousand.

Most trademarks are for the directly organised exhibitions of the Group.

The publications are specialist trade publications.

The trademarks and the publications came under Group control through various business combinations that took place over time. Since the last quarter of 2008, the related exhibitions and publications have been amortised following the assessment of a finite useful life. Previously, they were accounted as assets with an indefinite useful life.

The Euro 188 thousand increase refers to the purchase of the remaining 50% of the trademark for the biennial Tubotech exhibition, an international exhibition of technologies for the production and processing of industrial piping, valves and pumps, from the Brazilian company Cipa FM.

For the purpose of the impairment test, the external and internal sources of information specified in paragraphs 12-14 of IAS 36 were examined.

The value adjustments indicated by the impairment test refer to the following publications:

- Food&Beverage, fully written down for Euro 450 thousand;
- Technology, for Euro 467 thousand.

In both cases, the adjustments were justified by deviations in forecast cash flows.

There were no indications of impairment for the other intangible assets with a finite useful life.

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.

Other changes in this item were as follows:

- Euro 956 thousand as amortisation;
- Euro 277 thousand as negative exchange rate effects.

### Concessions, licences and similar rights

This item totalled Euro 463 thousand net of amortisation for the year of Euro 123 thousand. The Euro 399 thousand increase refers mainly to the Parent Company's acquisition of software licences with time-limited user rights.

Time-limited software licences are amortised over a period of three years.

### Industrial patents and intellectual property rights

This item totalled Euro 1,116 thousand net of amortisation for the year of Euro 758 thousand. The increase of Euro 601 thousand refers mainly to costs associated with the implementation of digital projects and software purchases by the Parent Company.

These items are amortised over a period of between three and ten years.

### Fixed assets under construction

This item totalled Euro 256 thousand and refers to the stock management optimisation project at the warehouse managed by Nolostand SpA. On completion, the value of this asset will be reclassified under the corresponding item of fixed assets and it will start to be depreciated.

## 8) EQUITY ACCOUNTED INVESTMENTS

This item totalled Euro 19,914 thousand (Euro 18,339 thousand at 31 December 2017) and included:

- Euro 16,380 thousand for the 49% shareholding in Hannover Milano Global Germany GmbH;
- Euro 3,402 thousand for the 49% shareholding in Ipack Ima Srl;
- Euro 132 thousand for the 49% shareholding in MiCo DMC Srl.

The changes in this item were as follows:

	Balance at 31/12/17	Changes during the financial year				Balance at 31/12/18
		Results	Dividend distribution	Transfers to joint venture	Currency translation differences	
Equity-accounted investments	18,339	5,170	(3,552)	132	(175)	19,914
<b>Total</b>	<b>18,339</b>	<b>5,170</b>	<b>(3,552)</b>	<b>132</b>	<b>(175)</b>	<b>19,914</b>

(€'000)

Further details are provided in Note 2 - Disclosure on subsidiaries, joint ventures and associates.

## 9) OTHER INVESTMENTS

This item totalled Euro 32 thousand (Euro 61 thousand at 31 December 2017) and represents the membership interest in the Comitato Golden Card.

The change refers to the write-down of Esperia SpA (in liquidation).

## 10) OTHER FINANCIAL ASSETS

This item totalled Euro 50 thousand (zero at 31 December 2017) and relates to the loan disbursed to the joint venture MiCo DMC Srl.

The entire item refers to related-party transactions. Note 50 provides further details on related-party transactions.

## 11) TRADE AND OTHER RECEIVABLES

These amounted to Euro 11,431 thousand (Euro 11,687 thousand at 31 December 2017).

The changes in this item were as follows:

(€'000)

TRADE AND OTHER RECEIVABLES	Balance at 31/12/17	Changes during the financial year		Balance at 31/12/18
		Increase	Decrease	
Other receivables from the controlling shareholder	11,598	-	263	11,335
Other guarantee deposits	89	7	-	96
<b>Total</b>	<b>11,687</b>	<b>7</b>	<b>263</b>	<b>11,431</b>

These included:

- other receivables from the controlling entity of Euro 11,335 thousand (Euro 11,598 thousand at 31 December 2017). Of these, Euro 10,412 thousand refer to the guarantee deposit paid by the Parent Company on leases for the two exhibition sites of Rho and Milan and amount to the quarterly instalments on the two leases. The remainder of Euro 923 thousand refers to the medium/long-term portion of the receivable from the right to reimbursement by Fondazione Fiera Milano of the guarantee deposit paid on the two previous leases, partly offset against the amount payable by Fiera Milano SpA as guarantee deposit on the new leases. This receivable will be repaid by Fondazione Fiera Milano in six-monthly instalments over the term of the lease, offset against the lease payments due from Fiera Milano SpA;
- other guarantee deposits totalling Euro 96 thousand (Euro 89 thousand at 31 December 2017).

Trade and other receivables included Euro 11,335 thousand (Euro 11,598 thousand at 31 December 2017) for related-party transactions. Note 50 provides further details on related-party transactions.

## 12) DEFERRED TAX ASSETS

These totalled Euro 1,270 thousand (Euro 976 thousand at 31 December 2017) and were the net balance of deferred tax assets and deferred tax liabilities in each consolidated company.

Note 47 to the Income Statement provides an analysis of the changes in deferred tax assets.

## CURRENT ASSETS

## 13) TRADE AND OTHER RECEIVABLES

	(€'000)		
TRADE AND OTHER RECEIVABLES	31/12/18	31/12/17	Change
Trade receivables	33,389	31,827	1,562
Trade receivables from the controlling shareholder	4,702	3,604	1,098
Trade receivables from joint venture	87	135	(48)
Other receivables	3,403	6,615	(3,212)
Prepaid expenses from the controlling shareholder	2,879	3,433	(554)
Prepaid expenses from joint venture	1	-	1
Accrued income and prepaid expenses	675	663	12
<b>Total</b>	<b>45,136</b>	<b>46,277</b>	<b>(1,141)</b>

These amounted to Euro 45,136 thousand (Euro 46,277 thousand at 31 December 2017).

The main types of receivables are described below.

Trade receivables due from customers totalled Euro 33,389 thousand (Euro 31,827 thousand at 31 December 2017), net of the provision for doubtful receivables of Euro 3,574 thousand. They comprised receivables from organisers, exhibitors and others for the provision of exhibition space and services associated with events and congresses.

The figure for receivables was adjusted for the provision for doubtful receivables in order to bring the nominal value in line with the estimated recoverable amount. The change in this provision during the year was as follows:

	(€'000)			
	31/12/17	Provisions	Utilisation and other changes	31/12/18
Provision for doubtful receivables	5,110	534	2,070	3,574

Use of the provision refers to receivables that, in the financial year under review, were found to be unrecoverable.

Trade receivables from the controlling shareholders for Euro 4,702 thousand (Euro 3,604 thousand at 31 December 2017) are broken down as follows:

- Euro 3 thousand (Euro 1,088 thousand at 31 December 2017) for tax consolidation receivables;
- Euro 360 thousand (Euro 1,958 thousand at 31 December 2017) for Group VAT receivables;
- Euro 4,339 thousand (Euro 558 thousand at 31 December 2017) for other receivables. The receivables refer to investment projects coordinated and managed by Fiera Milano SpA, support for which was planned by the controlling entity Fondazione Fiera Milano as part of the plan for competitiveness and sustainability of the exhibition and congress structures.

Other receivables totalled Euro 3,403 thousand (Euro 6,615 thousand at 31 December 2017), comprising:

- Euro 863 thousand (Euro 3,015 thousand at 31 December 2017) for advances to suppliers;
- Euro 734 thousand (Euro 855 thousand at 31 December 2017) for other tax receivables, mainly referring to Cipa FM for Euro 591 thousand and other companies for Euro 143 thousand;

- Euro 574 thousand (Euro 1,101 thousand at 31 December 2017) in VAT receivables, referring mainly to La Fabbrica del Libro SpA which is not part of the Group VAT tax consolidation;
- Euro 312 thousand (Euro 305 thousand at 31 December 2017) of receivables for tax credits on employee severance indemnities;
- Euro 115 thousand (Euro 211 thousand at 31 December 2017) of receivables from employees;
- Euro 190 thousand (Euro 201 thousand at 31 December 2017) for advances to and receivables from INAIL;
- Euro 615 thousand (Euro 927 thousand at 31 December 2017) for other receivables.

Prepayments to the controlling entity of Euro 2,879 thousand (Euro 3,433 thousand at 31 December 2017) refer mainly to lease payments for the **fieramilano** exhibition site.

Accruals amounting to Euro 675 thousand (Euro 663 thousand at 31 December 2017) referred to insurance premiums and other costs accruing to future years.

This item included Euro 7,669 thousand (Euro 7,172 thousand at 31 December 2017) for related-party transactions. Note 50 provides further details on related-party transactions.

#### 14) INVENTORIES

This item totalled Euro 3,481 thousand (Euro 3,485 thousand at 31 December 2017) and the breakdown was as follows:

	(€'000)		
<b>INVENTORIES</b>	<b>31/12/18</b>	<b>31/12/17</b>	<b>Change</b>
Raw materials, subsidiary materials and consumables	20	40	(20)
Deferred costs	3,461	3,445	16
<b>Total</b>	<b>3,481</b>	<b>3,485</b>	<b>(4)</b>

Deferred costs referred to exhibitions and congresses to be held after 31 December 2018.

The table below gives a breakdown by exhibition:

	(€'000)		
<b>EXHIBITION</b>	<b>31/12/18</b>	<b>31/12/17</b>	<b>Change</b>
Tuttofood	1,192	496	696
Host	523	60	463
Bit	228	250	(22)
Miart	204	256	(52)
Homi I semestre	176	237	(61)
Exposec	109	106	3
Transpotec & Logitec	106	1	105
Promotiontrade exhibition	56	125	(69)
Expodetergo	-	363	(363)
Fisp	-	291	(291)
Tempo di libri	-	242	(242)
Print4All	-	216	(216)
Congresses and other exhibitions	867	802	65
<b>Total</b>	<b>3,461</b>	<b>3,445</b>	<b>16</b>

This item included Euro 310 thousand (Euro 3 thousand at 31 December 2017) for related-party transactions. Note 50 provides further details on related-party transactions.

### 15) FINANCIAL ASSETS

This item totalled Euro 14 thousand (Euro 2,809 thousand at 31 December 2017) and the breakdown was as follows:

	(€'000)			
<b>FINANCIAL ASSETS</b>	<b>31/12/17</b>	<b>Increase</b>	<b>Decrease</b>	<b>31/12/18</b>
Financing to controlling shareholder	700	-	700	-
S/term financing to joint venture	2,109	14	2,109	14
<b>Total</b>	<b>2,809</b>	<b>14</b>	<b>2,809</b>	<b>14</b>

The item refers to the loan granted by Fiera Milano Congressi SpA to the joint venture MiCo DMC Srl.

The change in the item "Financial receivables from the controlling entity" is due to the existing correspondent current account with Fondazione Fiera Milano, which for the year under review recorded a debit balance and is recognised among other financial liabilities.

The change in the item "Financial receivables from joint ventures" for Euro 2,109 thousand refers to settlement of the loan granted by the Parent Company to the joint venture Ipack Ima Srl.

The entire item refers to related-party transactions (Euro 2,809 thousand at 31 December 2017). Note 50 provides further details on related-party transactions.

### 16) CASH AND CASH EQUIVALENTS

Cash and cash equivalents totalled Euro 28,409 thousand (Euro 17,922 thousand at 31 December 2017) and were almost entirely bank deposits to meet short-term cash requirements.

The cash flows, with comparative data at 31 December 2017, are shown in the Consolidated Statement of Cash Flows.



## EQUITY AND LIABILITIES

## 17) EQUITY

The breakdown of consolidated equity was as follows:

FINANCIAL ASSETS	(€'000)		
	31/12/18	31/12/17	Change
Share capital	41,645	41,645	-
<i>of which treasury shares</i>	<i>(800)</i>	<i>(800)</i>	-
Share premium reserve	9,379	10,299	(920)
<i>of which treasury shares</i>	<i>(3,204)</i>	<i>(3,204)</i>	-
Other reserves	3,667	3,059	608
Retained profits/(losses)	8,495	5,831	2,664
Profit/(loss) for the year	18,848	1,637	17,211
<b>Group equity</b>	<b>82,034</b>	<b>62,471</b>	<b>19,563</b>
Capital and reserves attributable to non-controlling interests	339	463	(124)
Profit/(loss) attributable to non-controlling interests	(278)	101	(379)
<b>Equity attributable to non-controlling interests</b>	<b>61</b>	<b>564</b>	<b>(503)</b>
<b>Total</b>	<b>82,095</b>	<b>63,035</b>	<b>19,060</b>

The amounts and changes in the items were as follows:

## Share capital

At 31 December 2018, the share capital was Euro 41,645 thousand (Euro 41,645 thousand at 31 December 2017), net of Euro 800 thousand for 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.

A breakdown of the shares outstanding is shown in the following table:

	Number of shares at 31 December 2017	Change			Number of shares at 31 December 2018
		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

In accordance with IAS/IFRS, the nominal value of treasury shares acquired in previous years was recorded as a direct decrease in share capital whilst the difference between the purchase value and nominal value of treasury shares directly reduced the share premium reserve.

The Parent Company 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 representing 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 2018, this gave an implicit nominal value of Euro 0.59 per share.

At 31 December 2018, the Parent Company held 939,018 treasury shares.

### Share premium reserve

The share premium reserve was Euro 9,379 thousand (Euro 10,299 thousand at 31 December 2017) net of Euro 3,204 thousand for treasury shares.

Changes in the period under review were as follows:

- a decrease of Euro 864 thousand following the approval of the Parent Company Shareholders' Meeting of 23 April 2018 to use the share premium reserve to cover the previous year's loss;
- a decrease of Euro 56 thousand in deferred tax assets for the deductible portion of accessory costs for the share capital increase of the Parent Company in 2015, which in application of IAS 32 were recorded as a direct decrease in equity, net of the related tax effect.

### Other reserves

This item totalled Euro 3,667 thousand (Euro 3,059 thousand at 31 December 2017), with breakdown as follows:

- Euro 8,489 thousand from the Parent Company legal reserve;
- Euro -5,671 thousand from the currency translation reserve;
- Euro 849 thousand from the stock grant reserve in relation to the estimated cost of the Performance Shares Plan included in the 2018-2019 management incentives plan.

### Retained profits/losses

The retained earnings were Euro 8,495 thousand (Euro 5,831 thousand at 31 December 2017).

Changes in the period under review were as follows:

- an increase of Euro 1,637 thousand for the allocation of the result for the previous financial year;
- an increase of Euro 864 thousand for use of the share premium reserve to cover Parent Company losses carried forward;
- an increase of Euro 163 thousand for the remeasurement of defined benefit plans, net of the tax effect.

### Profit/loss for the year

The Group net profit for the year ending 31 December 2018 was Euro 18,848 thousand (Euro 1,637 thousand at 31 December 2017).

### Capital and reserves: non-controlling interests

This item totalled Euro 339 thousand (Euro 463 thousand at 31 December 2017).

Changes in the period under review were as follows:

- an increase of Euro 101 thousand for the allocation of the result for the previous financial year;
- a decrease of Euro 358 thousand for the dividend distribution by MiCo DMC Srl;
- an increase of Euro 96 thousand for capital payments to the subsidiary La Fabbrica del Libro SpA from the non-controlling shareholder Ediser Srl;

- an increase of Euro 124 thousand for capital payments to the joint venture MiCo DMC Srl from the shareholder AIM Group International SpA;
- a decrease of Euro 87 thousand for accounting of the joint venture MiCo DMC Srl using the equity method.

### Net result for the year: non-controlling interests

The net loss attributable to non-controlling interests was Euro 278 thousand (Euro 101 thousand at 31 December 2017).

## LIABILITIES

### NON-CURRENT LIABILITIES

#### 18) BANK BORROWINGS

This item was zero (Euro 3,503 thousand at 31 December 2017).

The change compared to the previous year mainly reflected the repayment of the non-current portion of the following loans:

- a Euro 3,000 thousand loan given by Cassa di Risparmio di Parma e Piacenza SpA on 27 May 2016, repayable in quarterly instalments in arrears from 27 August 2016 until 27 May 2019 with interest at the 3-month Euribor plus a spread of 1.50%;
- a Euro 6,000 thousand loan given by Banco BPM SpA on 4 October 2017, repayable in quarterly instalments in arrears from 31 December 2017 until 31 December 2019 with interest at the 3-month Euribor rate plus a spread of 1.50%.

For the loan granted on 27 May 2016, a number of commercial covenants were agreed. For the duration of the loan, the Company will channel receivables and payables for a specific amount through current accounts opened with Cassa di Risparmio di Parma e Piacenza SpA. At 31 December 2018, these covenants had been met.

#### 19) OTHER FINANCIAL LIABILITIES

This item was zero (Euro 42 thousand at 31 December 2017).

The item did not include related-party transactions (Euro 42 thousand at 31 December 2017).

#### 20) PROVISIONS FOR RISKS AND CHARGES

This item totalled Euro 729 thousand (Euro 834 thousand at 31 December 2017), with breakdown as follows:

PROVISIONS FOR RISKS AND CHARGES	(€'000)			
	31/12/17	Provisions	Utilisation	31/12/18
Other provisions for risks and charges	834	152	257	729
<b>Total</b>	<b>834</b>	<b>152</b>	<b>257</b>	<b>729</b>

Provisions for risks and charges were for disputes with suppliers and other disputes and were calculated on their presumable outcome based on internal valuations supported by external legal advice.

## 21) EMPLOYEE BENEFIT PROVISIONS

This item totalled Euro 8,958 thousand (Euro 9,379 thousand at 31 December 2017).

Employee benefit provisions, calculated using actuarial methods, were for employee severance indemnities that had accrued at 31 December 2018 and with breakdown as follows:

EMPLOYEE BENEFIT PROVISIONS					(€'000)
	31/12/17	Actuarial evaluation	Indemnities and advances paid	Transfers to joint venture	31/12/18
Defined benefit plans	9,379	335	708	48	8,958
<b>Total</b>	<b>9,379</b>	<b>335</b>	<b>708</b>	<b>48</b>	<b>8,958</b>

### ACTUARIAL EVALUATION

(€'000)

Personnel costs:	
- indemnities related to defined benefit plans	426
Financial expenses:	
- actualisation charges	122
Other comprehensive income	
- Remeasurement of defined benefit plans	(213)
<b>Total</b>	<b>335</b>

The Group 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

	31/12/18	31/12/17
Annual technical discount rate	1.55%	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 10 years.

The following table gives a sensitivity analysis for the liability for defined benefit plans as changes arise in the main assumptions used.

## 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%	8,958	8,624	9,318
Annual rate of increase in total employees' salary	+/- 0,5%	8,958	9,840	8,080
<b>Economic and financial assumptions</b>				
Life expectancy	+/- 1 year	8,958	9,005	8,915

## 22) DEFERRED TAX LIABILITIES

(€ '000)

DEFERRED TAX LIABILITIES	31/12/18	31/12/17	Change
Deferred tax liabilities	7,180	3,225	3,955
<b>Total</b>	<b>7,180</b>	<b>3,225</b>	<b>3,955</b>

This item totalled Euro 7,180 thousand (Euro 3,225 thousand at 31 December 2017) and is the net balance of deferred tax assets and deferred tax liabilities for each company included in the area of consolidation.

The item includes:

- Euro 5,136 thousand for the IRES deferred tax provision;
- Euro 2,044 thousand for the IRAP deferred tax provision.

An analysis of the changes in deferred tax liabilities is given in Note 47 to the Income Statement.

## CURRENT LIABILITIES

### 23) BANK BORROWINGS

The breakdown and changes during the year were as follows:

(€ '000)

BANK BORROWINGS	31/12/18	31/12/17	Change
Bank overdrafts	11	42	(31)
Loans - current portion	3,503	17,210	(13,707)
<b>Total</b>	<b>3,514</b>	<b>17,252</b>	<b>(13,738)</b>

Bank borrowings referred mainly to the Parent Company and were:

- Euro 11 thousand (Euro 42 thousand at 31 December 2017) of interest accrued on short-term credit lines arranged during the year under review to meet cash requirements.

Credit lines with covenants 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 commercial cash inflows in the form of payments, bank transfers, POS payments and notice payment forms (MAV) for an amount equal to the nominal amount of the credit line. At 31 December 2018, this credit line had not been used;

- for Euro 3,503 thousand (Euro 3,952 thousand at 31 December 2017) as the current portion of the bank loans described in Note 18.

The change compared to the previous year mainly reflected the Parent Company repayment of the current portion (Euro 12,611 thousand at 31 December 2017) of the following loans:

- a Euro 20,000 thousand loan given by Banca Popolare di Milano SpA on 6 December 2013, repayable in six-monthly instalments in arrears from 30 June 2014 until 30 June 2018 with interest at the 3-month Euribor rate plus a spread of 2%;
- a Euro 10,000 thousand loan given by Banca Popolare di Bergamo SpA on 23 May 2016, repayable in quarterly instalments in arrears from 23 August 2016 until 23 May 2018 with interest at the 3-month Euribor rate plus a spread of 1.85%;
- a Euro 15,000 thousand loan given by Banca Popolare di Lodi on 25 May 2016, repayable in quarterly instalments in arrears from 30 June 2016 until 30 June 2018 with interest at the 3-month Euribor plus a spread of 1.50%;
- a Euro 5,000 thousand loan given by Banca Popolare di Lodi on 22 June 2016, repayable in quarterly instalments in arrears from 30 June 2016 until 30 June 2018 with interest at the 3-month Euribor plus a spread of 1.50%;
- a Euro 5,000 thousand loan given by Banca Nazionale del Lavoro on 22 December 2016, repayable in monthly instalments in arrears from 22 January 2017 until 22 December 2018 with interest at the 1-month Euribor rate plus a spread of 1.50%.

The change also refers to settlement of the loan with BNP Paribas S.A. by Cipa FM (Euro 647 thousand at 31 December 2017).

Bank borrowings are subject to floating rate interest.

## 24) TRADE PAYABLES

This item totalled Euro 38,548 thousand (Euro 48,437 thousand at 31 December 2017). Trade payables were mainly to Italian suppliers, most of which for the purchase of services required to mount the exhibitions that is the core business of the Company.

The item did not include related-party transactions (Euro 85 thousand at 31 December 2017).

## 25) ADVANCES

This item totalled Euro 49,659 thousand (Euro 43,057 thousand at 31 December 2017).

These refer to advances invoiced to customers for exhibitions and congresses to be held after the end of the 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.

(€ '000)

<b>ADVANCES</b>	<b>31/12/18</b>	<b>31/12/17</b>	<b>Change</b>
Homi I semester	10,466	10,305	161
Host	6,460	2,857	3,603
The Micam (Spring)	3,875	1,030	2,845
Tuttofood	3,442	344	3,098
Mido	3,103	2,157	946
Salone del mobile/Complemento d'arredo	2,046	1,967	79
Transpotec & Logitec	1,731	-	1,731
Lineapelle I semester	1,503	1,204	299
Milano Unica (Spring)	1,134	616	518
Sicurezza	893	-	893
Mostra Convegno Expocomfort	886	7,709	(6,823)
Promotiontrade exhibition	820	863	(43)
Exposec	734	572	162
Simac Tanning-Tech	709	677	32
Made Expo	653	-	653
The One Milano (February)	636	657	(21)
Bit	571	693	(122)
Euroluce	469	-	469
Lamiera	379	-	379
Sposaltalia	371	164	207
Myplant & garden	291	233	58
Simei	279	-	279
Fisp	248	1,036	(788)
Versilia Yachting Rendez-Vous	237	-	237
Mipel (Spring)	202	219	(17)
Fesqua	171	381	(210)
Packaging Premiere	170	-	170
Reatech	142	-	142
Made in Steel	128	-	128
Miart	115	96	19
Ipack-Ima	-	1,566	(1,566)
Plast	-	1,547	(1,547)
Expodetergo	-	955	(955)
Bimu	-	648	(648)
Eurocucina	-	496	(496)
Print4All	-	458	(458)
Salone Internazionale del Bagno	-	284	(284)
Venditalia	-	252	(252)
Xylexpo	-	202	(202)
Meat Tech	-	187	(187)
Biomass Innovation Expo	-	146	(146)
Fire Show	-	200	(200)
Congresses and other exhibitions	6,795	2,336	4,459
<b>Total</b>	<b>49,659</b>	<b>43,057</b>	<b>6,602</b>

The item did not include related-party transactions (Euro 1,776 thousand at 31 December 2017).

**26) OTHER FINANCIAL LIABILITIES**

This item totalled Euro 1,297 thousand (Euro 729 thousand at 31 December 2017) and the breakdown was as follows:

(€ '000)			
<b>OTHER FINANCIAL LIABILITIES</b>	<b>31/12/18</b>	<b>31/12/17</b>	<b>Change</b>
Financial payables to the controlling shareholder	678	-	678
Other financial payables	619	729	(110)
<b>Total</b>	<b>1,297</b>	<b>729</b>	<b>568</b>

The item "Financial payables to the controlling entity" refers to the balance in the correspondent current account held by the Parent Company and Fondazione Fiera Milano. The fixed rate equal to the 1-month Euribor plus a spread of 1.50% was changed on 1 April 2018 to the 1-month Euribor plus a spread of 0.75%.

"Other financial payables" were mainly for the non-controlling interests of Cipa FM acquired by Eurofairs.

This item included Euro 678 thousand (Euro 37 thousand at 31 December 2017) for related-party transactions. Note 50 provides further details on related-party transactions.

**27) PROVISIONS FOR RISKS AND CHARGES**

This item totalled Euro 6,603 thousand (Euro 7,193 thousand at 31 December 2017) with breakdown as follows:

(€ '000)					
<b>PROVISIONS FOR RISKS AND CHARGES</b>	<b>31/12/17</b>	<b>Provisions</b>	<b>Utilisation</b>	<b>Currency translation differences</b>	<b>31/12/18</b>
Palazzo Italia project	1,415	-	1,218	-	197
Other provisions for risks and charges	5,778	4,991	4,186	(177)	6,406
<b>Total</b>	<b>7,193</b>	<b>4,991</b>	<b>5,404</b>	<b>(177)</b>	<b>6,603</b>

The item referred to:

- Euro 197 thousand for the residual provision referring to charges associated with termination of the lease on "Palazzo Italia" in Berlin, which expired in September 2018;
- Euro 6,406 thousand for disputes with suppliers and liabilities associated with the corporate reorganisation.



## 28) TAX LIABILITIES

This item totalled Euro 2,229 thousand (Euro 2,010 thousand at 31 December 2017) with breakdown as follows:

(€ '000)			
TAX LIABILITIES	31/12/18	31/12/17	Change
Income tax payable on profits for the year	233	558	(325)
Income tax payable for employees (IRPEF)	1,389	1,205	184
Income tax payable for temporary employees and project workers (IRPEF)	134	151	(17)
Other tax liabilities	473	96	377
<b>Total</b>	<b>2,229</b>	<b>2,010</b>	<b>219</b>

## 29) OTHER LIABILITIES

This item totalled Euro 24,655 thousand (Euro 23,334 thousand at 31 December 2017) and the breakdown was as follows:

(€ '000)			
OTHER LIABILITIES	31/12/18	31/12/17	Change
Payables to employees	9,652	8,957	695
Payables to exhibition organisers	5,498	8,640	(3,142)
Payables to pension and social security entities	2,141	2,226	(85)
Group VAT payables	1,998	111	1,887
Payables to the controlling shareholder for tax consolidation	1,070	518	552
Payables to the controlling shareholder	488	358	130
Trade payables to Subsidiaries	252	24	228
Payables to directors and statutory auditors	70	49	21
Payables to exhibition organisers in joint venture	-	468	(468)
Other payables	3,106	1,649	1,457
Payables to related parties	2	17	(15)
Deferred income to related parties	64	-	64
Deferred income and Accrued liabilities	314	317	(3)
<b>Total</b>	<b>24,655</b>	<b>23,334</b>	<b>1,321</b>

This item included Euro 3,874 thousand (Euro 1,496 thousand at 31 December 2017) for related-party transactions. Note 50 provides further details on related-party transactions.

### 30) FINANCIAL ASSETS AND LIABILITIES

At 31 December 2018, the Group had net resources of Euro 23,662 thousand (Euro 795 thousand indebtedness at 31 December 2017) as shown in the following table. Where applicable, each item indicates the portion referring to related parties.

#### GROUP NET FINANCIAL POSITION

(€ '000)	31/12/18	31/12/17	change
A. Cash (including bank balances)	28,409	17,922	10,487
B. Other cash equivalents	-	-	-
C. Securities held for trading	-	-	-
<b>D. Cash and cash equivalents (A+B+C)</b>	<b>28,409</b>	<b>17,922</b>	<b>10,487</b>
<b>E. Current financial assets</b>	<b>14</b>	<b>2,809</b>	<b>(2,795)</b>
- E.1 of which Current financial assets to the controlling shareholder	-	700	(700)
- E.2 of which Current financial assets to other related parties	14	2,109	(2,095)
F. Current bank borrowings	11	689	(678)
G. Current portion of non-current debt	3,503	16,563	(13,060)
H. Other current financial liabilities	1,297	729	568
- H.1 of which Other current financial liabilities to the controlling shareholder	678	-	678
- H.2 of which Other current financial liabilities to other related parties	-	37	(37)
<b>I. Current financial debt (F+G+H)</b>	<b>4,811</b>	<b>17,981</b>	<b>(13,170)</b>
<b>J. Current net financial debt (cash) (I-E-D)</b>	<b>(23,612)</b>	<b>(2,750)</b>	<b>(20,862)</b>
<b>K. Non-Current financial assets</b>	<b>50</b>	<b>-</b>	<b>50</b>
- k.1 of which Current financial assets to other related parties	50	-	50
L. Non-current bank borrowings	-	3,503	(3,503)
M. Debt securities in issue	-	-	-
N. Other non-current liabilities	-	42	(42)
- N.1 of which Other non current liabilities to other related parties	-	42	(42)
<b>O. Non-current financial debt (-K+L+M+N)</b>	<b>(50)</b>	<b>3,545</b>	<b>(3,595)</b>
<b>Net financial debt/(cash) from continuing operations (J+O)</b>	<b>(23,662)</b>	<b>795</b>	<b>(24,457)</b>
<b>Net financial debt/(cash) from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>P. Net financial debt/(cash)</b>	<b>(23,662)</b>	<b>795</b>	<b>(24,457)</b>

The Group had net financial resources of Euro 23,662 thousand at 31 December 2018 compared to indebtedness of Euro 795 thousand at 31 December 2017. The improvement in net indebtedness was due to the generation of operating cash flows.

Additional information on the financial instruments of the Group is given below to enable a better assessment of:

- the importance of the financial instruments to the Statement of Financial Position and Income Statement;
- the extent and type of risks deriving from the financial instruments to which the Group was exposed during the current and previous financial years 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 2018 and 31 December 2017 are shown in the following table.

<b>RISK CLASS</b> (€'000)	Notes	FY 31/12/18	FY 31/12/17	Liquidity risk	Interest rate risk	Credit risk
<b>NON-CURRENT ASSETS</b>						
Other financial assets	10	50	-	X		X
Trade and other receivables	11	11,431	11,687			X
<b>CURRENT ASSETS</b>						
Trade and other receivables	13	45,136	46,277			X
Financial assets	15	14	2,809	X		X
Cash and cash equivalents	16	28,409	17,922			
<b>NON-CURRENT LIABILITIES</b>						
Bank borrowings	18	-	3,503	X	X	
Other financial liabilities	19	-	42	X	X	
<b>CURRENT LIABILITIES</b>						
Bank borrowings	23	3,514	17,252	X	X	
Trade payables	24	38,548	48,437	X		
Other financial liabilities	26	1,297	729	X	X	
Other current liabilities	29	24,655	23,334	X		

## Significance of financial instruments

Financial instruments and their relative significance, as regards the Statement of Financial Position and Income Statement at 31 December 2017 and 31 December 2018, are shown in the following tables.

<b>FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE ACCOUNTS</b> (€'000)	Notes	FY 31/12/17	Assets measured at fair value through profit & loss (FVPTL)	Liabilities measured at amortised cost (HTC)	Assets measured at fair value through OCI reserve (FVOCI)	Assets measured at amortised cost (HTC)	Fair value	Impact on Income Statement
<b>NON-CURRENT ASSETS</b>								
Other financial assets	10	-	-	-	-	-	-	-
Trade and other receivables	11	11,687	-	-	-	11,687	11,687	12
<b>CURRENT ASSETS</b>								
Trade and other receivables	13	46,277	-	-	-	46,277	46,277	(972)
Financial assets	15	2,809	-	-	-	2,809	2,809	37
Cash and cash equivalents	16	17,922	-	-	-	17,922	17,922	109
<b>NON-CURRENT LIABILITIES</b>								
Bank borrowings	18	3,503	-	3,503	-	-	3,503	(479)
Other financial liabilities	19	42	-	42	-	-	42	-
<b>CURRENT LIABILITIES</b>								
Bank borrowings	23	17,252	-	17,252	-	-	17,252	(322)
Trade payables	24	48,437	-	48,437	-	-	48,437	(12)
Other financial liabilities	26	729	-	729	-	-	729	(157)
Other current liabilities	29	23,334	-	22,816	-	-	23,334	-
<b>FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE ACCOUNTS</b> (€'000)								
	Notes	FY 31/12/18	Assets measured at fair value through profit & loss (FVPTL)	Liabilities measured at amortised cost (HTC)	Assets measured at fair value through OCI reserve (FVOCI)	Assets measured at amortised cost (HTC)	Fair value	Impact on Income Statement
<b>NON-CURRENT ASSETS</b>								
Other financial assets	10	50	-	-	-	50	50	-
Trade and other receivables	11	11,431	-	-	-	11,431	11,431	35
<b>CURRENT ASSETS</b>								
Trade and other receivables	13	45,136	-	-	-	45,136	45,136	(534)
Financial assets	15	14	-	-	-	14	14	-
Cash and cash equivalents	16	28,409	-	-	-	28,409	28,409	162
<b>NON-CURRENT LIABILITIES</b>								
Bank borrowings	18	-	-	-	-	-	-	(163)
Other financial liabilities	19	-	-	-	-	-	-	-
<b>CURRENT LIABILITIES</b>								
Bank borrowings	23	3,514	-	3,514	-	-	3,514	(213)
Trade payables	24	38,548	-	38,548	-	-	38,548	(4)
Other financial liabilities	26	1,297	-	1,297	-	-	1,297	(10)
Other liabilities	29	24,655	-	23,585	-	-	24,655	-

As shown in the above tables, the carrying amount 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 were not subject to significant contingent charges.

The financial instruments are classifiable under Level 3 of the fair value hierarchy of IFRS 13.

Changes in liabilities due to financing activities are shown in the following table:

(€'000)

CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES	Changes in financial flows			Non-monetary changes Exchange rate effect	31/12/18
	31/12/17	Increase	Decrease		
Non-current bank loans	3,503	1,282	4,785	-	-
Other non-current loans	42	-	42	-	-
<b>Total change in non-current financial payables</b>	<b>3,545</b>	<b>1,282</b>	<b>4,827</b>	-	-
Credit lines	42	11	42	-	11
Bank loans	17,210	901	14,608	-	3,503
Current financial debt with the controlling shareholder	-	53,169	52,491	-	678
Current payables for acquisition of shareholdings	692	-	-	(73)	619
Other current financial payables	37	-	37	-	-
<b>Total change in current financial payables</b>	<b>17,981</b>	<b>54,081</b>	<b>67,178</b>	<b>(73)</b>	<b>4,811</b>
<b>Total liabilities from financing activities</b>	<b>21,526</b>	<b>55,363</b>	<b>72,005</b>	<b>(73)</b>	<b>4,811</b>

### 31) FINANCIAL AND MARKET RISK MANAGEMENT

The main financial instruments of the Group are bank borrowings, short-term demand deposits and current financial payables from the controlling entity 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 that organise exhibitions and congresses request an advance from their clients to confirm their participation in an event and this sum is normally collected 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, in turn rents exhibition space to the organisers and provides administrative and cash management services, on behalf of the organisers collecting all amounts that the exhibitors pay to the organiser. After collection and based on the contractual agreements, Fiera Milano SpA retrocedes to the organiser what is its due and keeps the payment for the spaces rented at the exhibition sites and for the services provided. This system allows Fiera Milano SpA to collect its own amounts due in advance, as do the organisers. The companies in the Fiera Milano Group that benefit from this favourable cash management cycle are therefore those that organise events and the Parent Company.

The Group is exposed to the following main types of risk.

### 31.1 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, also in relation to the cash management cycle that characterises the Group business. Fiera Milano hosts and organises exhibitions that are leaders in their sector and, therefore, the loyalty of exhibitors is very high. For the Parent Company Fiera Milano SpA, the current system means that all amounts collected from exhibitors flow into Fiera Milano SpA accounts, which then pays the amounts due to its customers/organisers.

With regard to Nolostand SpA and Fiera Milano Media SpA, note that part of the services provided to exhibitors is invoiced and collected on behalf of the individual Group companies by Fiera Milano SpA. Nevertheless, these companies carry out solvency assessments of potential customers 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 in this class are minimal in comparison to the collection volumes and refer mainly to 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.). For these receivables, collection is based on normal invoice payment conditions.

Specific guarantees can be used as a further means of mitigating credit risk.

The categories of credit risk at 31 December 2017 and at 31 December 2018 and the breakdown of past due amounts are shown in the following tables:

Class	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
<b>Total</b>	<b>31,827</b>	<b>18,552</b>	<b>18,385</b>	<b>10,098</b>	<b>815</b>	<b>975</b>	<b>6,497</b>	<b>5,110</b>

Class	FY 31/12/2018 Receivables	Due	Breakdown of late payments (days)					Provision
			Overdue	0-90	91-180	181-270	>270	
Organisers	7,294	6,625	2,241	629	-	-	1,612	1,572
Exhibitors	12,007	8,672	3,886	2,655	105	107	1,019	551
Other	14,088	10,085	5,454	3,581	223	197	1,453	1,451
<b>Total</b>	<b>33,389</b>	<b>25,382</b>	<b>11,581</b>	<b>6,865</b>	<b>328</b>	<b>304</b>	<b>4,084</b>	<b>3,574</b>

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 at 31 December 2017 and 31 December 2018 by risk category are shown in the following tables:

(€'000)	Balance at 31/12/2016 Provision	Provisions	Utilisation	Other changes	Balance at 31/12/2017 Provision
Organisers	1,972	128	405	-	1,695
Exhibitors	1,654	485	1,181	-	958
Other	4,187	359	2,047	(42)	2,457
<b>Total</b>	<b>7,813</b>	<b>972</b>	<b>3,633</b>	<b>(42)</b>	<b>5,110</b>

(€'000)	Balance at 31/12/2017 Provision	Provisions	Utilisation	Other changes	Balance at 31/12/2018 Provision
Organisers	1,695	85	208	-	1,572
Exhibitors	958	16	423	-	551
Other	2,457	433	1,381	(58)	1,451
<b>Total</b>	<b>5,110</b>	<b>534</b>	<b>2,012</b>	<b>(58)</b>	<b>3,574</b>

### 31.2 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 seasonal and cyclic nature of the exhibition business could affect its financial results and its ability to generate cash flows. In this respect, note the performance of the Group's net financial position which at 31 December 2018 recorded funds of Euro 23,662 thousand, a clear improvement on 31 December 2017, consistent with the positive operating performance.

The aim of Fiera Milano SpA risk management, also in the presence of financial debt, is to guarantee an adequate level of liquidity, minimising the related costs and maintaining a balance between the duration and composition of debt.

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 funds available in the current account held with the controlling entity Fondazione Fiera Milano.

Maintaining the financial equilibrium of the Group is also dependent on attaining the targets of the Business Plan, as well as on the performance of the economy, an understanding of which necessitates an assessment of the outcome of future events or 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 2017 and 31 December 2018.

<b>FINANCIAL LIABILITIES</b> (€'000)	<b>Balance at 31/12/2017</b>	<b>3 mths</b>	<b>6 mths</b>	<b>12 mths</b>	<b>18 mths</b>	<b>24 mths</b>	<b>3 years</b>	<b>5 years</b>	<b>&gt;5 years</b>
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									
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
<b>Total</b>	<b>69,963</b>	<b>54,117</b>	<b>7,830</b>	<b>4,759</b>	<b>2,020</b>	<b>1,514</b>	<b>-</b>	<b>-</b>	<b>51</b>

<b>FINANCIAL LIABILITIES</b> (€'000)	<b>Balance at 31/12/2018</b>	<b>3 mths</b>	<b>6 mths</b>	<b>12 mths</b>	<b>18 mths</b>	<b>24 mths</b>	<b>3 years</b>	<b>5 years</b>	<b>&gt;5 years</b>
Current bank borrowings	3,514	1,009	1,000	1,505					
Current interest payable		13	9	9					
Other current financial liabilities	1,297	678		619					
Current interest payable		1							
Trade payables	38,548	38,548							
<b>Total</b>	<b>43,359</b>	<b>40,249</b>	<b>1,009</b>	<b>2,133</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 31.3 Market risk

The Group reserves the right to use appropriate hedging instruments if market risks become significant.

#### a) Interest rate risk

The Group has access to credit lines at competitive rates and is therefore able to manage interest rate fluctuations. Moreover, the Group 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% change in interest rates on financial income and expenses, on equity and on the income statement for 2017 and 2018.

(€'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

(€'000)	Total at 31/12/18	Balance * (debt)	Income (expense)	Rate	+0.5%	-0.5%
Current accounts	28,367	27,068	162	0.60%	298	27
Current loans to joint venture	64	74	-	-	-	-
Current account with the controlling shareholder	(678)	(826)	(10)	1.27%	(15)	(6)
Bank overdrafts	(11)	(6,318)	(24)	0.38%	(56)	8
Current and non-current bank borrowings	(3,503)	(11,059)	(173)	1.57%	(229)	(118)
Other current and non-current financial liabilities	(619)	(619)	-	-	-	-

\* 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 relating to foreign operations is limited as the business in each country has costs and revenues that are in the same currency. The risk is mainly related to infragroup transactions for chargebacks that are part of cost sharing agreements, which give rise to exchange rate risk for the company whose functional currency differs from that in which the infragroup transaction is denominated.

## c) Risk of changes in raw material prices

The Group has limited exposure to the risk of changes in raw material prices. The Group normally has more than one supplier for any material considered critical and in some cases has long-term contracts that ensure lower price volatility.

### 32) DISCLOSURE ON GUARANTEES GIVEN, UNDERTAKINGS AND OTHER POTENTIAL LIABILITIES

#### Guarantees given

This item totalled Euro 4,892 thousand and the breakdown was as follows:

- Euro 3,202 thousand for the guarantee given by Fiera Milano Congressi SpA to the Tax Authority to offset VAT as part of the Group payment;
- Euro 924 thousand 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 500 thousand for the guarantee given by the Parent Company to Veronafiore SpA for obligations undertaken to organise the 2019 edition of the "Transpotec & Logitec" exhibition;
- Euro 248 thousand for guarantees given against lease agreements of the subsidiaries Nolostand SpA, Fiera Milano Congressi SpA and Fiera Milano Media SpA;
- Euro 18 thousand for other guarantees.

#### Potential liabilities

The Parent Company is involved in several legal disputes, for which the legal consultant has estimated a potential liability of Euro 450 thousand.

## INCOME STATEMENT

### REVENUES

#### 33) REVENUES FROM SALES AND SERVICES

These totalled Euro 247,217 thousand (Euro 256,348 thousand at 31 December 2017).

The breakdown by revenue type was as follows:

REVENUES FROM SALES AND SERVICES	(€'000)		
	2018	2017	Change
Facility fee for use of exhibition area	90,954	67,682	23,272
Rental of stands, fittings and equipment	56,069	43,039	13,030
Fees exhibitors area	41,297	79,813	(38,516)
Revenues from exhibition and congress organisation services	12,941	20,708	(7,767)
Advertising space and services	12,240	10,948	1,292
Catering and canteen services	9,618	9,872	(254)
Exhibition site services	8,681	7,217	1,464
Supplementary exhibition services	3,790	4,386	(596)
Miscellaneous fees and royalties	3,330	4,448	(1,118)
Access surveillance and customer care services	2,923	2,261	662
Administrative, telephone and internet services	2,270	2,459	(189)
Ticket office sales	1,293	1,857	(564)
Exhibition insurance services	924	700	224
Congress organisation	677	811	(134)
Multimedia and on-line catalogue services	210	147	63
<b>Total</b>	<b>247,217</b>	<b>256,348</b>	<b>(9,131)</b>

The decrease in revenues was mainly due to the less favourable exhibition calendar which last year had included the directly organised biennial exhibitions Host, Tuttofood, and Sicurezza, and the hosted Made Expo. This impact was partly offset by the presence of The Innovation Alliance, created from the union of five multi-annual exhibitions: Plast, Ipack-Ima, Meat-Tech, Print4All and Intralogistica Italia. Furthermore, annual exhibitions contributed to the good performance.

The greater impact of exhibitions hosted in 2018 compared to those organised directly explains the increase in the item "Facility fee for use of exhibition area" and the decrease in "Fees exhibitors area" compared to 2017.

The decrease in "Revenues from exhibition and congress organisations services" was mainly due to the presence last year of the ERS (European Respiratory Society) International Congress held in the MiCo congress centre and the provision of all related services. This impact was partially offset by the OSCE (Organization for Security and Co-operation in Europe) congress, the largest regional security organisation in the world.

The item included Euro 6,652 thousand (Euro 212 thousand at 31 December 2017) for related-party transactions. Note 50 provides further details on related-party transactions.

## OPERATING COSTS

**34) COSTS OF MATERIALS**

This item totalled Euro 2,410 thousand (Euro 3,228 thousand at 31 December 2017).

The breakdown by cost type was as follows:

COST OF MATERIALS	(€'000)		
	2018	2017	Change
Subsidiary materials and consumables	1,897	2,346	(449)
Printed materials, forms and stationery	354	770	(416)
Raw materials	140	109	31
Finished goods and packaging	-	18	(18)
Change in inventories of raw materials	20	(5)	25
Uses of provisions	(1)	(10)	9
<b>Total</b>	<b>2,410</b>	<b>3,228</b>	<b>(818)</b>

The change refers mainly to the different business volume due to the cyclic nature of the exhibitions calendar.

This item included Euro 1 thousand (Euro 55 thousand at 31 December 2017) for related-party transactions. Note 50 provides further details on related-party transactions.

### 35) COSTS OF SERVICES

These totalled Euro 114,052 thousand (Euro 133,300 thousand at 31 December 2017).

The breakdown by cost type was as follows:

	(€'000)		
COST OF SERVICES	2018	2017	Change
Equipment hire	24,195	21,027	3,168
Stands and equipment for exhibitions	17,689	18,132	(443)
Energy costs	9,012	8,826	186
Maintenance	7,943	7,553	390
Advertising	6,344	10,448	(4,104)
Cleaning and waste disposal	6,252	6,167	85
Security and gate services	5,913	5,631	282
Costs for events in Italy	4,049	14,871	(10,822)
Technical, legal, commercial and administrative advice	3,298	7,603	(4,305)
Catering services	3,069	5,367	(2,298)
Technical, legal, commercial and administrative services	3,036	3,635	(599)
Telephone and internet expenses	2,603	2,427	176
Ticketing	2,128	1,984	144
Transport	1,524	1,921	(397)
IT services	1,506	2,086	(580)
Technical assistance and ancillary services	1,460	1,505	(45)
Insurance	1,214	1,160	54
Conference and congress services	521	440	81
Remuneration of Statutory Auditors	274	252	22
Expenses for statutory bodies	23	17	6
Change in suspended costs for future exhibitions	(542)	1,844	(2,386)
Other	12,836	11,951	885
Uses of provisions	(295)	(1,547)	1,252
<b>Total</b>	<b>114,052</b>	<b>133,300</b>	<b>(19,248)</b>

Costs of services mainly included costs for managing the exhibition sites during the setting up, running and dismantling of exhibitions and congresses.

The figure decreased by Euro 19,248 thousand compared to 31 December 2017, due to rationalisation action that began in 2017 and the different business volumes reflecting the cyclic nature of the exhibition calendar.

The decrease in costs of services also reflects the presence in the previous year of the costs for consultancy relating to the review of corporate processes.

Note the decrease in the item "Costs for events in Italy" refers to the higher destination management service costs incurred during the year for the ERS congress and the Host exhibition.

This item included Euro 1,571 thousand (Euro 1,905 thousand at 31 December 2017) for related-party transactions. Note 50 provides further details on related-party transactions.

**36) COSTS OF USE OF THIRD-PARTY ASSETS**

These totalled Euro 50,343 thousand (Euro 49,868 thousand at 31 December 2017) and the breakdown was as follows:

	(€'000)		
<b>COST OF USE OF THIRD-PARTY ASSETS</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Rent and expenses for exhibition sites	46,440	45,742	698
Other rental expenses	4,101	4,460	(359)
Vehicle hire	424	553	(129)
Lease of company division	212	241	(29)
Office equipment and photocopier hire	131	46	85
Uses of provisions	(965)	(1,174)	209
<b>Total</b>	<b>50,343</b>	<b>49,868</b>	<b>475</b>

The item rent and expenses for exhibition sites included the rent of Euro 46,331 thousand payable to the controlling entity Fondazione Fiera Milano. In the previous year, the rent payable for the **fieramilano** exhibition site incorporates the remuneration recognised by Fondazione Fiera Milano for the occupancy of areas made available for Expo 2015. Other rental expenses included Euro 1,490 thousand under the lease agreement for the Palazzo Italia in Berlin, which expired in September 2018, and Euro 1,491 thousand of rent payable for the warehouses used by Nolostand SpA.

The total lease payments for the Rho and Milan exhibition sites and for the MiCo congress centre for each of the following periods are:

- 2019: Euro 46,952 thousand;
- 1-5 years: Euro 159,849 thousand;
- no payments are due beyond five years.

This item included Euro 46,493 thousand (Euro 45,576 thousand at 31 December 2017) for related-party transactions. Note 50 provides further details on related-party transactions.

### 37) PERSONNEL COSTS

These totalled Euro 47,037 thousand (Euro 48,860 thousand at 31 December 2017) and the breakdown was as follows:

(€'000)			
PERSONNEL COSTS	2018	2017	Change
Salaries	32,098	33,555	(1,457)
Social Security payments	10,119	10,260	(141)
Redundancy incentives	2,923	1,604	1,319
Defined contribution plan charges	1,543	1,496	47
Directors' remuneration	1,101	1,366	(265)
Defined benefit plan charges	426	425	1
External and temporary employees	245	564	(319)
Seconded employees from subsidiaries	190	519	(329)
Other expenses	1,845	1,025	820
Uses of provisions	(3,457)	(1,954)	(1,503)
<b>Total</b>	<b>47,033</b>	<b>48,860</b>	<b>(1,827)</b>

Salaries, remuneration and related social security contributions decreased mainly due the lower costs incurred by the Parent Company for the variable portion of remuneration.

The item "Other expenses" includes Euro 849 thousand as costs relating to the "Medium-term Incentive Plan" approved by the Fiera Milano SpA Shareholders' Meeting of 23 April 2018. This plan is an incentive to management to achieve the Company's strategic objectives and align the interests of beneficiaries to those of shareholders. The Plan has a hybrid structure that envisages assignment to beneficiaries of 40% in cash and 60% as a certain number of ordinary shares on achieving specific predefined performance objectives for the period 2018-2019.

The item included Euro 178 thousand (Euro 132 thousand at 31 December 2017) for related-party transactions. Note 50 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

	2018	2017	Change
Managers	30	33	(3)
Middle managers and white collar workers	702	709	(7)
<i>of which equity accounted companies:</i>			
<i>Managers</i>	2	2	-
<i>Middle managers and white collar workers</i>	64	59	5
<b>Total personnel</b>	<b>732</b>	<b>742</b>	<b>(10)</b>

**38) OTHER OPERATING EXPENSES**

This item totalled Euro 4,525 thousand (Euro 5,398 thousand at 31 December 2017) and the breakdown was as follows:

(€'000)			
<b>OTHER OPERATING EXPENSES</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Doubtful receivables	2,057	2,669	(612)
Other taxes	2,028	2,316	(288)
Contributions and donations	579	604	(25)
Taxes other than income tax	420	782	(362)
Copyright royalties (SIAE)	346	336	10
Municipal tax on advertising	185	168	17
Balancing item from closure of prior year accounts	135	200	(65)
Gifts and promotional merchandise	51	116	(65)
Capital losses from tangible asset	49	200	(151)
Other expenses	746	819	(73)
Uses of provisions	(2,071)	(2,812)	741
<b>Total</b>	<b>4,525</b>	<b>5,398</b>	<b>(873)</b>

The item included Euro 218 thousand (Euro 221 thousand at 31 December 2017) for related-party transactions. Note 50 provides further details on related-party transactions.

**39) OTHER INCOME**

This item totalled Euro 2,806 thousand (Euro 2,604 thousand at 31 December 2017) and the breakdown was as follows:

(€'000)			
<b>OTHER INCOME</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Other recovered costs	832	1,069	(237)
Office rent and expenses	362	436	(74)
Capital gains on non-current assets	220	14	206
Recovery of expenses for seconded employees	200	217	(17)
Insurance indemnities	39	145	(106)
Other income	1,153	723	430
<b>Total</b>	<b>2,806</b>	<b>2,604</b>	<b>202</b>

The item included Euro 626 thousand (Euro 807 thousand at 31 December 2017) for related-party transactions. Note 50 provides further details on related-party transactions.



#### 40) RESULTS OF EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES

This item totalled Euro 5,170 thousand (Euro 2,603 thousand at 31 December 2017) and refers to the joint venture investments with Deutsche Messe AG for Euro 3,184 thousand (Euro 3,269 thousand at 31 December 2017) and with Ipack Ima Srl for Euro 1,986 thousand (Euro -666 thousand at 31 December 2017).

#### 41) PROVISIONS FOR DOUBTFUL RECEIVABLES AND OTHER PROVISIONS

This item totalled Euro 4,963 thousand (Euro 5,841 thousand at 31 December 2017).

Changes in this item are shown in the following table:

PROVISIONS FOR DOUBTFUL RECEIVABLES AND OTHER PROVISIONS	(€'000)		
	2018	2017	Change
Reorganisation of personnel	2,389	250	2,139
Disputes with personnel	1,882	5,142	(3,260)
Other disputes	872	357	515
Provisions for doubtful receivables	534	972	(438)
Palazzo Italia project	-	241	(241)
Write-back of provisions	(714)	(1,121)	407
<b>Total</b>	<b>4,963</b>	<b>5,841</b>	<b>(878)</b>

Notes 13, 20 and 27 provide further details on changes in the provision for doubtful receivables and provisions for risks for the year.

#### 42) DEPRECIATION AND AMORTISATION

##### Depreciation of property, plant and equipment

This item totalled Euro 3,971 thousand (Euro 4,295 thousand at 31 December 2017).

Details of depreciation are provided in the Explanatory Notes under the item Property, plant and equipment.

The item included Euro -20 thousand (Euro -25 thousand at 31 December 2017) for use of part of the risk provisions for obligations recorded under amortisation relating to the contract for the Palazzo Italia.

##### Amortisation of intangible assets

This item totalled Euro 1,900 thousand (Euro 2,539 thousand at 31 December 2017).

Details of amortisation are given in the Explanatory Notes on the item Intangible assets with a finite useful life.

The decrease is mainly due to completion of the amortisation of certain asset groups.

### 43) ADJUSTMENTS TO ASSET VALUES

This item totalled Euro 917 thousand (Euro 2,854 thousand at 31 December 2017).

The breakdown for this item is given in the following table:

	(€'000)		
<b>ADJUSTMENTS TO ASSET VALUES</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Impairment of exhibition trademarks and publications	917	2,768	(1,851)
Write-downs of Property, Plant and Equipment	-	86	(86)
<b>Total</b>	<b>917</b>	<b>2,854</b>	<b>(1,937)</b>

Details of the impairment losses can be found in Note 7.

### 44) FINANCIAL INCOME AND SIMILAR

This item totalled Euro 279 thousand (Euro 429 thousand at 31 December 2017) and the breakdown was as follows:

	(€'000)		
<b>FINANCIAL INCOME AND SIMILAR</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Interest income on bank deposits	162	109	53
Exchange rate gains	58	42	16
Interest income from cautionary deposits related to the rent of the exhibition site	31	10	21
Other financial income associates	11	37	(26)
Interest income on receivables from the controlling shareholder	4	2	2
Other financial income	13	229	(216)
<b>Total</b>	<b>279</b>	<b>429</b>	<b>(150)</b>

The item included Euro 46 thousand (Euro 49 thousand at 31 December 2017) for related-party transactions. Note 50 provides further details on related-party transactions.

#### 45) FINANCIAL EXPENSES AND SIMILAR

This item totalled Euro 402 thousand (Euro 1,203 thousand at 31 December 2017) and the breakdown was as follows:

(€'000)			
FINANCIAL EXPENSES AND SIMILAR	2018	2017	Change
Interest payable on bank accounts	213	801	(588)
Charges on discounting defined benefit plans	122	121	1
Exchange rate losses	42	73	(31)
Interest payable on the current account with the controlling shareholder Fondazione Fiera Milano	10	157	(147)
Other financial expenses	15	68	(53)
Uses of provisions	-	(17)	17
<b>Total</b>	<b>402</b>	<b>1,203</b>	<b>(801)</b>

The decrease in financial expenses was due to the reduction in average debt both in the short term and in the medium/long term.

The item included Euro 10 thousand (Euro 158 thousand at 31 December 2017) for related-party transactions. Note 50 provides further details on related-party transactions.

#### 46) VALUATION OF FINANCIAL ASSETS

The total was Euro -29 thousand (zero at 31 December 2017) and represents the write-down applied by Fiera Milano Media SpA in the investment in Esperia SpA.

#### 47) INCOME TAX

Income taxes were Euro 6,353 thousand (Euro 2,860 thousand at 31 December 2017), mainly due to the use of deferred tax assets.

The breakdown was as follows:

(€'000)			
INCOME TAX	2018	2017	Change
Current income tax	2,950	590	2,360
Deferred income tax	3,403	2,270	1,133
<b>Total</b>	<b>6,353</b>	<b>2,860</b>	<b>3,493</b>

The higher tax figure is associated with the increase in current taxes and to the release of deferred tax assets for tax losses that were offset by the taxable income generated in the financial year.

The breakdown of current taxes at 31 December 2018 was as follows:

CURRENT INCOME TAX	(€'000)		
	2018	2017	Change
Current income tax (IRAP)	1,115	900	215
Other current income tax	450	226	224
Expenses from tax consolidation	1,388	519	869
Income from tax consolidation	(3)	(1,055)	1,052
<b>Total</b>	<b>2,950</b>	<b>590</b>	<b>2,360</b>

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 option is binding for the three years 2016, 2017 and 2018.

The tax consolidation charges reflect 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 income from the tax consolidation is the sum recognised by Fondazione Fiera Milano for use of the accrued IRES tax losses offset against the IRES tax liability that was transferred to the tax consolidation.

Other current income tax includes that payable by the foreign companies of the Group.

Deferred taxes for the year totalled Euro 3,403 thousand and represent the balance of deferred tax assets (Euro 3,817 thousand) and deferred tax liabilities (Euro -414 thousand).

The change in deferred tax assets was mainly due to the release of deferred tax asset recognised in previous financial years in conjunction with the tax losses used to offset taxable income generated in the year.

The change in deferred tax liabilities was mainly due to the use of tax provisions allocated in previous financial periods for impairment losses on trademarks and for amortisation and depreciation reabsorbed in the period under review.

A breakdown of deferred tax assets and deferred tax liabilities is given in the following table:

(€'000)

DEFERRED INCOME TAXES	31/12/17	Recognised in the Income Statement	Recognised in equity	Transfers to joint venture	Exchange rate effect	31/12/18
<b>Deferred tax assets</b>						
Excess amortisation, depreciation and write-downs	1,862	(148)	-	-	(112)	1,602
Provisions for risks and charges	1,623	(345)	-	-	(16)	1,262
Doubtful receivables	1,321	(250)	-	-	-	1,071
Tax losses carried forward	7,629	(3,414)	-	-	-	4,215
Costs for share capital increase	111	-	(55)	-	-	56
Other temporary differences	3,047	340	-	(79)	(139)	3,169
<b>Total</b>	<b>15,593</b>	<b>(3,817)</b>	<b>(55)</b>	<b>(79)</b>	<b>(267)</b>	<b>11,374</b>
<b>Deferred tax liabilities</b>						
Goodwill amortisation and deferred taxes on acquisition of intangible assets	17,031	(352)	-	-	(197)	16,482
Other temporary differences	811	(62)	52	(1)	3	803
<b>Total</b>	<b>17,842</b>	<b>(414)</b>	<b>52</b>	<b>(1)</b>	<b>(194)</b>	<b>17,284</b>
<i>Net deferred income taxes</i>	<i>(2,249)</i>	<i>(3,403)</i>	<i>(107)</i>	<i>(78)</i>	<i>(73)</i>	<i>(5,910)</i>
<i>of which: Deferred tax assets</i>	<i>976</i>					<i>1,270</i>
<i>Deferred tax liabilities</i>	<i>3,225</i>					<i>7,180</i>

#### RECONCILIATION OF THEORETICAL AND EFFECTIVE CORPORATION TAX CHARGE (IRES)

(€'000)

Consolidated profit/(loss) before income tax	24,923
Percentage applicable for corporation income tax (IRES)	24.0%
<b>Theoretical IRES tax charge (corporation income tax)</b>	<b>5,982</b>
Difference between theoretical and effective tax charges:	
Taxes on foreign subsidiaries and joint venture	(1,323)
Non-deductible operating expenses	446
ACE benefit	(204)
Other	303
<b>Effective IRES tax charge</b>	<b>5,204</b>

#### RECONCILIATION OF THEORETICAL AND EFFECTIVE CORPORATION TAX CHARGE (IRAP)

(€'000)

EBIT	25,075
Personnel expenses	47,037
Consolidated taxable base for purposes of IRAP	72,112
Statutory rate applicable for corporation income tax (IRAP)	3.9%
<b>Theoretical IRAP tax charge (corporation income tax)</b>	<b>2,812</b>
Difference between theoretical and effective tax charges:	
Tax wedge	(1,555)
Taxes on foreign subsidiaries	(253)
Other	145
<b>Effective IRAP tax charge</b>	<b>1,149</b>

This item included Euro 1,385 thousand (Euro -536 thousand at 31 December 2017) for related-party transactions. Note 50 provides further details on related-party transactions.

#### 48) NET RESULT ATTRIBUTABLE TO SHAREHOLDERS OF THE CONTROLLING ENTITY

The Group net profit at 31 December 2018 was Euro 18,848 thousand compared to Euro 1,637 thousand at 31 December 2017.

#### 49) EARNINGS (LOSSES) PER SHARE

2018 recorded earnings per share of Euro 0.2655 compared to Euro 0.0231 at 31 December 2017, calculated by dividing the net profit by the weighted average number of Fiera Milano SpA shares outstanding during the year.

	2018	2017
Profit/(loss) (€'000)	18,848	1,637
Average no. of shares in circulation ('000)	70,979	70,979
Basic earnings/(losses) per issued share (€)	0.2655	0.0231
Earnings/(losses) per fully diluted no. of shares (€)	0.2655	0.0231

The value used as the numerator to calculate basic and diluted earnings per share was Euro 18,848 thousand at 31 December 2018 (Euro 1,637 thousand at 31 December 2017).

The weighted average number of ordinary shares used to calculate basic earnings (losses) per share and diluted earnings (losses) per share, with a reconciliation of the two figures, is shown in the following table:

('000)	2018	2017
Weighted average no. of shares used for calculation of EPS	70,979	70,979
+ Potential no. of shares issued without payment	-	-
Weighted average no. of shares used to calculate diluted EPS	70,979	70,979

During the year, 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.

#### 50) 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 at arm's length.

As part of its corporate governance action, Fiera Milano SpA has adopted Procedures for Related-party Transactions as indicated in the chapter on corporate governance and ownership structure in the Annual Report.

The commercial relations between 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 in order to ensure a uniform Group image.

All the Italian subsidiaries, as consolidated companies, also opted for the Italian tax consolidation for IRES tax purposes with a compulsory duration of three years.

Adoption of the tax consolidation allows the Fiera Milano Group a sure economic and financial benefits, particularly represented by the option of immediate use of the Group's tax losses, achieved in the years for which the option is valid, to offset the income of consolidated companies, thereby immediately realising a tax saving from the use of those losses.

Internal legal relations between the companies participating in the tax consolidation are governed by a regulation which also envisages a standard procedure for correct compliance with tax obligations and related liabilities of the participating companies.

In the Statement of Financial Position and the Income Statement, the amounts for related-party positions or transactions, if material, are shown separately from the reference items. Given the total amount of statement of financial position and income statement items, Fiera Milano Group has decided that Euro 2 million is the material threshold above which separate disclosure must be made in the Statement of Financial Position and Euro 1 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 entity Fondazione Fiera Milano, with joint ventures and with other related parties.

### Related-party transactions with the controlling entity Fondazione Fiera Milano

The recurring transactions are summarised below.

#### I. Real estate lease agreements with Fiera Milano SpA

As described below, on 31 March 2014 new leases were signed for the exhibition sites of Rho and Milan. These contracts were effective from the second half 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, aligning the effective dates for the exhibition sites at 1 January 2006.

Initially, cancellation of the contracts had to be notified 18 months prior to their expiry on 31 December 2014. On 31 March 2014, new leases were signed for the exhibition sites. The new leases are for 9 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 9 years.

Under the lease for the Rho exhibition site, compared to the previous lease valid until 30 June 2014, the rent was reduced by Euro 2,000 thousand in the second half of 2014 and by Euro 14,000 thousand for 2015 and for each subsequent year. Therefore, the rent was Euro 24,400 thousand for the second half of 2014 and Euro 38,800 thousand from 2015 and for each subsequent year, annually adjusted for 100% of the change in the ISTAT consumer price index.

For the Milan City exhibition site, the parties agreed to maintain the existing rent of Euro 2,850 thousand 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, Procedures for Related-party Transactions were applied and, on 21 March 2014, Disclosure for a related-party transaction of greater importance ("RPT Disclosure") was published.

To confirm the arm's length conditions applied, the lease payments were determined 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 the former Pavilion 17 at the Milan City site. On 15 March 2005, this contract was updated to reflect the expansion of the congress centre. The new agreement between 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 agreement by 30 June 2016 and, therefore, it was automatically renewed until 30 June 2023.

Under the existing contract, Fiera Milano Congressi SpA pays an annual fixed rent of Euro 350 thousand (reassessed annually according to ISTAT), plus a 5% variable component based on revenues achieved in excess of a minimum revenue limit generated on the area leased.

On 18 May 2009, Fondazione Fiera Milano signed a preliminary contract with Fiera Milano Congressi SpA for the lease of Pavilions 5 and 6 at the Milan City site, 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 for the “South Wing” area (formerly Pavilions 5 and 6) became effective from 1 May 2011 with a nine-year duration, automatically renewable for a further nine years unless terminated by one of the parties. The annual lease payment is Euro 3,000 thousand plus a variable component of 5% of the excess revenues realised by Fiera Milano Congressi SpA in the area concerned for 2011-2014 business plan periods only. 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. The rent for the first year was fixed at Euro 750 thousand with annual increases of Euro 750 thousand in the following three years until the agreed full rent of Euro 3,000 thousand per annum was reached. On reaching the full quota of the rent, the variable component became no longer payable from 2015.

## III. Settlement of Group VAT

Taking advantage of the option provided by Italian Presidential Decree 633/72, the Group chose to follow the procedure, managed by the controlling entity, Fondazione Fiera Milano, for the 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 entity 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 three years 2016, 2017 and 2018.

The Regulation adopted for the tax consolidation of Fondazione Fiera Milano provides that the tax losses of consolidated companies, generated in each of the years that the option is valid, may be utilised to offset the tax payables in the same financial year of companies participating in the tax consolidation, after the tax losses of Fiera Milano SpA and the consolidating entity have been calculated; the tax losses of consolidated companies are remunerated to the extent of the effective benefit achieved by the tax consolidation.

## V. 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 subject to 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 agreed on each occasion between the buyer and the supplier, also on the basis of specific offers/estimates. The service supply contract is governed at arm's length.



#### 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 exclusive licence for use of the brand name for 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. Fondazione Fiera Milano, as its corporate purpose includes development of the exhibition sector, decided to retain ownership of the Fiera Milano trademark and did not include it in the business unit “Exhibition Management Activity” transferred to the Parent Company in 2001, but envisaging that Fiera Milano SpA would use the brand name for an extended period of time and without incurring costs for its use.

This licence is valid until 20 December 2019.

#### VII. Correspondent current account with Fiera Milano SpA

On 24 June 2016, effective from 1 July 2016, a new contract for the correspondent 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 correspondent current account before replacing it.

The parties settle collections and payments under co-obligation contracts, in particular the lease payments for the exhibition sites and the services provided by each party to the other.

The fixed rate equal to the 1-month Euribor plus a spread of 1.50% was changed on 1 April 2018 to the 1-month Euribor plus a spread of 0.75%.

Receivables for invoices issued by the parties will accrue interest 60 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 past due by more than 180 days which are always payable immediately.

Invoices for the exhibition site lease payments are part of the agreement but accrue interest and are payable under the specific terms of the related leases. The balance of any invoices past due by at least 180 days, together with the balance of the invoices for the exhibition site leases that are due under the terms of the relevant leases, represent the collectable balance.

Credits that cannot be offset are excluded from the current account.

The party for which the credit or debit balance exceeds Euro 5,000 thousand has the right to request payment or to arrange payment. Where a request for payment of the balance has been made, the amount must be settled within 15 working days of the request.

The correspondent current account must be closed and payment of all interest arranged every quarter.

#### VIII. “Corporate Think Tank” investments plan

On 14 May 2018, as part of the competitiveness and sustainability plan for exhibition and congress structures, Fondazione Fiera Milano signed an agreement with Fiera Milano SpA and Fiera Milano Congressi SpA undertaking a commitment to support major investment plans. The parties developed their partnership through the setup of a Corporate Think Tank for the joint analysis, comparison and assessment of methods for implementing the investments. The parties agree that for the coordination and strict monitoring of investment activities, Fondazione Fiera Milano will pay Fiera Milano SpA and Fiera Milano Congressi SpA an arm’s length fee of 4% of the total value of the related investments.

### Related-party transactions with joint ventures

On 14 June 2018, Hannover Milano Global Germany GmbH, a joint venture between Fiera Milano SpA and Deutsche Messe AG, approved the 2017 Financial Statements and approved a dividend distribution of Euro 9,000 thousand. The amount attributable to Fiera Milano Group was Euro 3,552 thousand, which was collected in December 2018.

On 21 February 2016, Fiera Milano SpA and Ipack Ima Srl, a company in joint venture with UCIMA, signed a loan agreement for a maximum of Euro 3,000 thousand that is automatically renewed annually; the interest rate is 1.50%. At 31 December 2018, the loan had not been used.

Ipack Ima Srl also has commercial relations with the Group for the preparation of two exhibitions (Ipack-Ima and Meat-Tech) organised by the Company, and makes use of the central management of certain administrative and technical services.

On 4 December 2018, the governance agreement regarding MiCo DMC Srl with the partner AIM Group International SpA was amended, establishing a greater degree of collaboration for business management decisions. In application of IFRS 11, these agreements qualify the company as a joint venture and, from 31 December 2018, entail calculating the value of the investment by the equity method instead of line-by-line consolidation.

Relations with the Group are associated with the ten-year loan granted by the controlling entity Fiera Milano Congressi SpA and with the provision of destination management logistics services.

### Transactions with other related parties

Transactions with other related parties are part of normal operations and are carried out at arm's length.

The main transactions referred to:

- services referring to Ediser Srl and the Italiana Editori association for professional services supporting the "Tempo di Libri" exhibition organised by La Fabbrica del Libro SpA;
- revenues for Fiera Parking SpA, a company wholly owned by Fondazione Fiera Milano. On 5 July 2018, Fiera Milano SpA signed an agreement with Fiera Parking SpA for the management of car parks serving the **fieramilanocity** exhibition centre. The agreement has a seven-year duration from 1 September 2018, tacitly renewable for a further seven years.

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 2018

(€'000)	Other financial assets non-current	Trade and other non-current receivables	Trade and other receivables	Inventories	Current financial assets	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
<b>Controlling shareholder and other Group companies</b>																	
Fondazione Fiera Milano		11,335	7,581			678	3,556	190		1,118	46,491		218	349	35	10	1,385
<b>Companies under joint control</b>																	
Ipack Ima Srl			10				60	6,318		188	2	178		277	11		
MiCo DMC Srl	50		78	310	14		192										
<b>Other related parties</b>																	
Associazione Italiana Editori								109	1	14							
Ediser Srl							2	3		251							
Fiera Parking SpA							64	32									
<b>Total related parties transactions</b>	<b>50</b>	<b>11,335</b>	<b>7,669</b>	<b>310</b>	<b>14</b>	<b>678</b>	<b>3,874</b>	<b>6,652</b>	<b>1</b>	<b>1,571</b>	<b>46,493</b>	<b>178</b>	<b>218</b>	<b>626</b>	<b>46</b>	<b>10</b>	<b>1,385</b>
<b>Total reported</b>	<b>50</b>	<b>11,431</b>	<b>45,136</b>	<b>3,481</b>	<b>14</b>	<b>1,297</b>	<b>24,655</b>	<b>247,217</b>	<b>2,410</b>	<b>114,052</b>	<b>50,343</b>	<b>47,037</b>	<b>4,525</b>	<b>2,806</b>	<b>279</b>	<b>402</b>	<b>6,353</b>
<b>% Rel. party transactions/ Total reported</b>	<b>100%</b>	<b>99%</b>	<b>17%</b>	<b>9%</b>	<b>100%</b>	<b>52%</b>	<b>16%</b>	<b>3%</b>	<b>-</b>	<b>1%</b>	<b>92%</b>	<b>-</b>	<b>5%</b>	<b>22%</b>	<b>16%</b>	<b>2%</b>	<b>22%</b>

Information on the remuneration paid to the Administrative and Control Bodies, General Managers and Executives with strategic responsibilities at 31 December 2018 is given in the table included in the section "Other information".

STATEMENT OF RELATED PARTY CASH FLOW	(€'000)	
	2018	2017
<b>Cash flow from operating activities</b>		
Revenues and income	7,278	1,019
Costs and expenses	(48,461)	(47,889)
Interest receivable	46	49
Interest payable	(10)	(158)
Losses/income from tax consolidation	(1,385)	536
Changes in trade and other receivables	(234)	1,464
Changes in inventories	(307)	188
Change in advances	(1,776)	1,598
Change in other current liabilities	2,293	(1,909)
<b>Total</b>	<b>(42,556)</b>	<b>(45,102)</b>
<b>Cash flow from investment activities</b>		
Investments in non-current activities		
. Tangible and intangible	-	-
. Other non-current assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>Cash flow from financing activities</b>		
Change in non-current financial assets	(50)	-
Change in non-current financial liabilities	(42)	-
Change in current financial assets	2,795	(187)
Change in current financial liabilities	641	(2,466)
<b>Total</b>	<b>3,344</b>	<b>(2,653)</b>
<b>Cash Flow in the period</b>	<b>(39,212)</b>	<b>(47,755)</b>

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 31.12.18:			
Total	22,894	1,209	(13,803)
Related party transactions	(42,556)	-	3,344
FY to 31.12.17:			
Total	35,561	656	(40,686)
Related party transactions	(45,102)	-	(2,653)

## 51) OTHER INFORMATION

### Material non-recurring events and transactions

During the year, 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 the Consob Communication of 28 July 2006, it is stated that no unusual and/or atypical operations were carried out by the Group in 2018 as defined in the aforementioned Communication.

### Information required pursuant to Italian Law 124/2017

The following grants were collected during the year, disbursed by the Lombardy Regional Government:

- on 19 October 2018, Ipack Ima Srl collected a grant for Euro 50 thousand for the special project "Ipack Mat" involving innovative packaging materials;
- on 24 October 2018, La Fabbrica del Libro SpA collected a grant of Euro 50 thousand relating to the innovation and promotion of the Lombardy Region exhibitions system 2018, for the project "Tempo di Libri per la scuola e per l'università - Matching - Social marketing".

### Significant events after the end of the reporting year

On 21 March 2019, Fiera Milano communicates that, pursuant to article 5 of Consob Regulation 17221 of 12 March 2010, and as amended regarding Related-Party Transactions, today it published the Information Document about the agreements for the sub-lease of the roofs of the exhibition spaces of Rho-Pero for the construction of a photovoltaic system and the linked contract for the purchase of renewable energy, closed with Fair renew S.r.l., whose share capital is held by A2A Rinnovabili S.p.A. (60%), group company A2A, and Ente Autonomo Fiera Internazionale di Milano (40%), which is the majority shareholder of Fiera Milano.

### 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 Group activities.

The Group Executives with strategic responsibilities are the Directors, Statutory Auditors and the Chief Financial Officer of the Parent Company.

The total remuneration for this category of Executives was Euro 2,789 thousand at 31 December 2018 (Euro 2,239 thousand at 31 December 2017) and the breakdown was as follows:

REMUNERATION	(€'000)		
	2018		
	Directors	Statutory Auditors	Others
Short-term benefits	680	137	1,108
Post-employment benefits	-	-	85
Other non current benefits	-	-	-
Staff-leaving indemnities	-	-	-
Cost related "Medium-term Incentive Plan"	-	-	779
<b>Total</b>	<b>680</b>	<b>137</b>	<b>1,972</b>

The estimated cost for the "Medium-Term Incentive Plan" includes the value of stock grants assigned for Euro 540 thousand and the cash portion for Euro 239 thousand.

(€'000)

REMUNERATION	2017		
	Directors	Statutory Auditors	Others
Short-term benefits	815	190	489
Post-employment benefits	16	-	16
Other non current benefits	-	-	-
Staff-leaving indemnities	-	-	713
Cost related "Medium-term Incentive Plan"	-	-	-
<b>Total</b>	<b>831</b>	<b>190</b>	<b>1,218</b>

At 31 December 2018, the outstanding amount payable to this category was Euro 614 thousand (Euro 223 thousand at 31 December 2017).

### Information under Article 149-duodecies of the Consob Issuers' Regulation

The fees paid for services provided by the independent auditors in 2018 are shown in the following table.

(€'000)

Service provided	Service provider	Client	Fees for financial year 2018
Auditing	EY SpA	Parent Company - Fiera Milano SpA	192
Auditing	Network EY	Subsidiaries	188
Additional remuneration - IFRS 16	EY SpA	Parent Company - Fiera Milano SpA	26
Other services (*)	EY SpA	Parent Company - Fiera Milano SpA	52
Other services (**)	EY SpA	Parent Company - Fiera Milano SpA	30
Other services (*)	EY SpA	Subsidiaries	27
Other services (**)	EY SpA	Subsidiaries	6
	<b>Total</b>		<b>521</b>

(\*) Agreed upon procedures

(\*\*) Other professional services

Rho (Milan), 12 March 2019

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 2018**

Company name and registered office	Main activity	Share capital (000) (*)	Group total	Shareholding %		Shareholding of Group companies %
				Directly held by Fiera Milano	Indirectly held through other Group companies	
<b>A) List of companies included in the area of consolidation</b>						
<b>Parent Company</b>						
<b>Fiera Milano SpA</b>	Organisation and hosting of exhibitions in Italy	42,445				
Milan, p.le Carlo Magno 1						
<b>Fully consolidated companies</b>						
<b>Fiera Milano Media SpA</b>						
Milan, p.le Carlo Magno 1	Media services	2,803	100	100	100	Fiera Milano SpA
<b>Fiera Milano Congressi SpA</b>						
Milan, p.le Carlo Magno 1	Management of congresses	2,000	100	100	100	Fiera Milano SpA
<b>La Fabbrica del Libro SpA</b>						
Milan, p.le Carlo Magno 1	Organisation of exhibitions in Italy	120	51	51	51	Fiera Milano SpA
<b>Nolostand SpA</b>						
Milan, p.le Carlo Magno 1	Stand fitting services	7,500	100	100	100	Fiera Milano SpA
<b>Eurofairs International Consultoria e Participações Ltda</b>						
São Paulo Brasil, na Avenida Angélica, 2350, 12° andar, Sala B, Consolação	Organisation of exhibitions outside of Italy	R \$ 62,145	100	99.99	99.99	Fiera Milano SpA
					0.01	Nolostand SpA
<b>CIPA Fiera Milano Publicações e Eventos Ltda</b>						
São Paulo Brasil, na Avenida Angélica, 2491, 20° andar, conjuntos 203 e 204	Organisation of exhibitions outside of Italy	R \$ 21,363	100	0.04	99.96	Eurofairs International Consultoria e Participações Ltda
					0.04	Fiera Milano SpA
<b>Fiera Milano India Pvt Ltd</b>						
New Delhi, Barakhamba Road, Connaught Place	Organisation of exhibitions outside of Italy	INR 20,000	99.99	99.99	99.99	Fiera Milano SpA
<b>Limited Liability Company "Fiera Milano"</b>						
Moscow, 24 A/1 ul. B. Cherkizovskaya	Organisation of exhibitions outside of Italy	RUB 10,000	100	100	100	Fiera Milano SpA
<b>Fiera Milano Exhibitions Africa Pty Ltd</b>						
Cape Town, The Terraces, Steenberg Office Park, Tokai	Organisation of exhibitions outside of Italy	ZAR 0.6	100	100	100	Fiera Milano SpA

(\*) Euro or other currencies as specifically indicated

**LIST OF COMPANIES INCLUDED IN THE CONSOLIDATION AREA  
AND OTHER INVESTMENTS AT 31 DECEMBER 2018**

Company name and registered office	Main activity	Share capital (000) (*)	Group total	Shareholding %		Shareholding of Group companies %
				Directly held by Fiera Milano	Indirectly held through other Group companies	
<b>B) List of jointly controlled companies equity-accounted</b>						
<b>Hannover Milano Global Germany GmbH</b> Hannover Germany, Messegeelaende	Organisation of exhibitions outside of Italy	25	49	49	49	Fiera Milano SpA
<b>Hannover Milano Fairs Shanghai Co. Ltd</b> Shanghai China, Pudong Office Tower	Organisation of exhibitions outside of Italy	USD 500	49		100	100 Hannover Milano Global Germany GmbH
<b>Hannover Milano Fairs China Ltd</b> Hong Kong China, Golden Gate Building	Organisation of exhibitions outside of Italy	HKD 10	49		100	100 Hannover Milano Global Germany GmbH
<b>Hannover Milano Fairs India Pvt Ltd</b> East Mumbai, Andheri	Organisation of exhibitions outside of Italy	INR 274,640	48.99		99.99	99.99 Hannover Milano Global Germany GmbH
<b>Hannover Milano Best exhibitions Co., Ltd</b> Guangzhou China, West Tower, Poly World Trade Center	Organisation of exhibitions outside of Italy	RMB 1,000	24.99		51	51 Hannover Milano Fairs Shanghai Co, Ltd
<b>Ipack Ima Srl</b> Rho, S.S. del Sempione km 28	Organisation of exhibitions in Italy	20		49	49	49 Fiera Milano SpA
<b>Mico DMC S.r.l.</b> Milan, p.le Carlo Magno 1	Management of congresses	10	51		51	51 Fiera Milano Congressi SpA
<b>C) List of companies accounted at cost</b>						
<b>Esperia SpA (**)</b> Rose (Cosenza)	Other activities	1,403	2		2	2 Fiera Milano Media SpA
<b>Comitato Golden Card</b> Cinisello Balsamo, viale Fulvio Testi 128	Other activities	3	33.33	33.33		33.33 Fiera Milano SpA
<b>Covention Bureau Italia Scrl</b> Firenze, piazza Adua 1	Other activities	8	2		2	2 Fiera Milano Congressi SpA

(\*) Euro or other currencies as specifically indicated

(\*\*) Company in liquidation



# DECLARATION RELATING TO THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ARTICLE 154-BIS, PARAGRAPH 5, ITALIAN LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998

1. The undersigned, Fabrizio Curci, as Chief Executive Officer, and Marco Pacini, as Manager responsible for preparing the company accounts of Fiera Milano SpA, having noted the provisions of article 154-bis, paragraphs 3 and 4, Italian Legislative Decree no. 58 of 24 February 1998, 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 2018.
  
2. It is also declared that:
  - 2.1 the Consolidated Financial Statements at 31 December 2018:
    - have been prepared in accordance with applicable international accounting standards recognised by the European Union in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the 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.
  
  - 2.2 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.

Rho (Milan), 12 March 2019

*[Signed]*

**Chief Executive Officer**  
Fabrizio Curci

*[Signed]*

**Manager responsible for preparing  
the company accounts**  
Marco Pacini

# INDEPENDENT AUDITORS' REPORT



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 2018 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 2018 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 Euro 7.525.500,00 i.v.  
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma  
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Iscritta all'Albo Speciale delle società di revisione  
Corso al progressivo n. 2 delibera n. 10631 del 16/7/1997  
A member firm of Ernst & Young Global Limited



We identified the following key audit matter:

Key Audit Matter	Audit Response
<p><b>Valuation of goodwill and intangible assets with definite useful life</b></p> <p>At December 31, 2018 the carrying amount of goodwill and intangible assets with definite useful life was euro 94,1 million and euro 10,8 million, respectively, which were allocated to the Group's Cash Generating Units (CGUs). In 2018, the Company recorded impairment charges on intangible assets for euro 0,9 million.</p> <p>The recoverable amount of goodwill is tested for impairment 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.</p> <p>The processes and methodologies to estimate and determine the recoverable amount of the CGUs, in terms of value in use, are based on complex assumptions 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 2019-2022 Group business plan, the normalized cash flows used to estimate terminal value and the discount rate and long term growth rates applied.</p> <p>During the course of 2018 Fiera Milano S.p.A., following certain changes in the organization and in the governance of the Group, as well as the integration of some operational and commercial processes, redefined the perimeter of the CGUs by merging in the operating sector "Attività Fieristiche Italia" all the activities related to trade fairs carried out in the exhibition areas <i>fieramilano</i> and <i>fieramilanocity</i> and the related activities relating to set-up services.</p> <p>Considering the materiality of the carrying amount of such assets and the level of judgement and complexity of the assumptions used in estimating the recoverable amount of goodwill and intangible assets with definite useful life, we have determined that this area constitutes a key audit matter.</p> <p>The Company included disclosures related to the nature and the key assumptions used for impairment test in note 6 "Goodwill" and note 7 "Intangible assets with a finite useful life".</p>	<p>Our audit procedures in response to this key audit matter included, among others: (i) understanding of the process and key controls implemented by the Company to evaluate goodwill and intangible asset with definite useful life; (ii) assessment of the revised CGUs perimeter and the allocation of the respective carrying amounts following the changes implemented during the year; (iii) reviewing of the report prepared by the external experts who supported management in performing the impairment test, including the valuation of their competence, capabilities and objectivity; (iv) assessing the significant assumptions underlying future cash flow projections, including the determination of the weighted average cost of capital, the discount rate and the long-term growth rates used in estimating the terminal value, and performing sensitivity analyses; (v) assessing the variances between actual results and the previous forecasts as assumed by the Group; (vi) testing the mathematical accuracy of the impairment test calculation; (vii) verifying the consistency of the forecast of future cash flows of the CGUs with the group business plan for the period 2019-2022.</p> <p>In performing our audit procedures we also involved our valuation specialists who assisted us in the assessment of assumptions and methodologies utilized by the Group, and performed independent calculations and sensitivity analyses of key assumptions. Lastly, we assessed 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 2018 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 2018 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 2018 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, 26 March 2019

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		31/12/18	31/12/17
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
2-42	Property, plant and equipment	3,026,144	3,652,712
	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	6,782,888	7,168,733
5	Investments	47,915,443	52,983,696
	Other financial assets	-	-
6	Trade and other receivables	11,423,897	11,679,965
42	of which from related parties	11,334,673	11,598,151
7	Deferred tax assets	-	899,632
	<b>Total</b>	<b>139,292,471</b>	<b>146,528,837</b>
	<b>Current assets</b>		
8	Trade and other receivables	31,071,429	31,615,664
42	of which from related parties	7,978,118	9,813,894
9-42	Inventories	2,785,835	2,233,246
	Contracts in progress	-	-
10	Financial assets	2,961,153	6,773,043
42	of which from related parties	2,961,153	6,773,043
11	Cash and cash equivalents	16,986,314	7,690,696
	<b>Total</b>	<b>53,804,731</b>	<b>48,312,649</b>
	<b>Assets held for sale</b>		
	Assets held for sale	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>
	<b>Total assets</b>	<b>193,097,202</b>	<b>194,841,486</b>
	<b>EQUITY AND LIABILITIES</b>		
12	<b>Equity</b>		
	Share capital	41,644,917	41,644,917
	Share premium reserve	7,680,270	10,298,693
	Revaluation reserve	-	-
	Other reserves	9,337,830	8,489,028
	Retained earnings	52,731	2,724
	Profit/(loss) for the year	16,561,245	(863,987)
	<b>Total</b>	<b>75,276,993</b>	<b>59,571,375</b>
	<b>Non-current liabilities</b>		
	Bonds in issue	-	-
13	Bank borrowings	-	3,502,804
	Other financial liabilities	-	-
14	Provision for risks and charges	407,783	528,443
15	Employee benefit provisions	4,846,695	4,967,181
16	Deferred tax liabilities	3,100,237	-
	Other non-current liabilities	-	-
	<b>Total</b>	<b>8,354,715</b>	<b>8,998,428</b>
	<b>Current liabilities</b>		
	Bonds in issue	-	-
17	Bank borrowings	3,514,189	16,605,237
18	Trade-payables	19,856,552	27,893,518
19-42	Advances	41,742,879	38,880,471
20	Other financial liabilities	5,969,420	2,676,381
42	of which to related parties	5,969,420	2,676,381
21	Provision for risks and charges	3,989,119	5,015,540
22	Tax liabilities	1,312,725	1,282,171
23	Other liabilities	33,080,610	33,918,365
42	of which to related parties	15,909,074	15,091,062
	<b>Total</b>	<b>109,465,494</b>	<b>126,271,683</b>
	<b>Liabilities held for sale</b>		
	Liabilities held for sale	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>
	<b>Total liabilities</b>	<b>193,097,202</b>	<b>194,841,486</b>

(euro)

## FIERA MILANO SPA STATEMENT OF COMPREHENSIVE INCOME

notes	2018	2017 restated *
27 Revenues from sales and services	196,383,505	204,714,414
42 <i>of which with related parties</i>	10,866,922	5,897,449
<b>Total revenues</b>	<b>196,383,505</b>	<b>204,714,414</b>
28-42 Cost of materials	325,674	870,580
29 Cost of services	94,324,254	105,554,201
42 <i>of which with related parties</i>	37,043,121	38,683,323
30 Cost of use of third-party assets	44,559,355	43,511,410
42 <i>of which with related parties</i>	42,920,543	42,132,045
31 Personnel costs	35,277,910	35,692,264
42 <i>of which with related parties</i>	1,297,424	598,775
32-42 Other operating expenses	3,521,306	4,991,265
<b>Total operating expenses</b>	<b>178,008,499</b>	<b>190,619,720</b>
33 Other income	5,583,576	5,697,926
42 <i>of which with related parties</i>	4,455,656	4,564,464
34 Provisions for doubtful receivables and other provisions	3,453,215	4,901,286
<b>EBITDA</b>	<b>20,505,367</b>	<b>14,891,334</b>
35 Depreciation of property, plant and equipment	1,093,803	1,136,047
Depreciation of property investments	-	-
35 Amortisation of intangible assets	1,321,216	1,815,359
36 Adjustments to asset values	-	1,534,436
<b>EBIT</b>	<b>18,090,348</b>	<b>10,405,492</b>
37 Financial income and similar	6,122,120	2,680,849
42 <i>of which with related parties</i>	6,028,181	2,437,158
38-42 Financial expenses and similar	289,561	851,668
39 Valuation of financial assets	(1,996,245)	(9,776,721)
<b>Profit/(loss) before tax</b>	<b>21,926,662</b>	<b>2,457,952</b>
40-42 Income tax	5,365,417	3,321,939
<b>Profit/(loss) from continuing operations</b>	<b>16,561,245</b>	<b>(863,987)</b>
<b>Profit/(loss) from discontinued operations</b>	<b>-</b>	<b>-</b>
41 <b>Profit/(loss) for the year</b>	<b>16,561,245</b>	<b>(863,987)</b>
<b>Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss</b>		
Revaluation of defined benefit schemes	65,799	3,584
Tax effects	15,792	860
<b>Other comprehensive income/(loss) net of related tax effects</b>	<b>50,007</b>	<b>2,724</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>16,611,252</b>	<b>(861,263)</b>

\* Some figures for 2017 have been restated to reflect the application of the new standard IFRS 15 from 1 January 2018.

## FIERA MILANO SPA STATEMENT OF CASH FLOWS

(euro)

notes	2018	2017
<b>Net cash at beginning of year</b>	<b>7,690,696</b>	<b>11,982,917</b>
<b>Cash flow from operating activities</b>		
11 Net cash from operating activities	13,726,937	40,145,380
42 <i>of which with related parties</i>	(60,057,974)	(68,288,369)
24 Interest paid	(263,158)	(913,274)
24 Interest received	110,996	528,970
Income taxes paid	(987,450)	(2,491,728)
<b>Total</b>	<b>12,587,325</b>	<b>37,269,348</b>
<b>Cash flow from investing activities</b>		
2-42 Investments in tangible assets	(496,642)	(1,140,956)
2 Write-downs of tangible assets	170,349	17,083
4 Investments in intangible assets	(935,326)	(448,404)
5 Acquisition of investments	(2,406,900)	(31,669)
5 Subsidiary company share capital transactions	5,478,908	(4,822,050)
37 Dividends received	5,933,936	2,254,103
Assets held for sale	-	2,750,000
<b>Total</b>	<b>7,744,325</b>	<b>(1,421,893)</b>
<b>Cash flow from financing activities</b>		
12 Equity	(1,699,271)	-
13-24 Non-current financial liabilities	(3,502,804)	(10,605,310)
10-24 Current financial assets	3,811,890	(767,275)
42 <i>of which with related parties</i>	3,811,890	(767,275)
17-20-24 Current financial liabilities	(9,645,847)	(28,767,090)
42 <i>of which with related parties</i>	3,293,039	(1,637,668)
<b>Total</b>	<b>(11,036,032)</b>	<b>(40,139,675)</b>
<b>Cash flow for the period</b>	<b>9,295,618</b>	<b>(4,292,221)</b>
<b>Net cash from assets held for sale</b>	<b>-</b>	<b>-</b>
<b>Net cash at the end of year</b>	<b>16,986,314</b>	<b>7,690,696</b>

## CASH GENERATED FROM OPERATING ACTIVITIES

(euro)

	2018	2017
Result including non-operating activities	16,561,245	(863,987)
<b>Adjustments for:</b>		
Depreciation and Amortisation	2,415,019	2,951,406
Provisions, write-downs and impairment	3,453,215	6,435,722
Valuation of financial activities	1,996,245	9,776,721
Capital gains and losses	(161,206)	(12,088)
Financial income	(5,933,936)	(2,254,103)
Net change in employee provisions	(54,687)	(32,732)
Personnel costs "Performance Shares Plan"	848,802	-
Changes in deferred taxes	3,928,912	2,085,383
Inventories	(552,589)	2,233,860
Trade and other receivables	553,817	2,404,920
Trade payables	(8,036,966)	8,054,392
Pre-payments	2,862,408	4,210,519
Tax payables	1,018,004	2,868,908
Provisions for risks and charges and other liabilities (excluding payables to Organisers)	(1,546,090)	(2,798,385)
Payables to Organisers	(3,625,256)	5,084,844
<b>Total</b>	<b>13,726,937</b>	<b>40,145,380</b>

## FIERA MILANO SPA STATEMENT OF CHANGES IN EQUITY

(euro)

Note 12	Share capital	Share premium reserve	Other reserves	Retained earnings	Profit/(loss) for the financial year	Total
<b>Balance at 31 December 2016</b>	<b>41,644,917</b>	<b>35,667,706</b>	<b>8,489,028</b>	<b>(154,269)</b>	<b>(25,159,579)</b>	<b>60,487,803</b>
Loss for the year covered by:						
- 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)
<b>Balance at 31 December 2017</b>	<b>41,644,917</b>	<b>10,298,693</b>	<b>8,489,028</b>	<b>2,724</b>	<b>(863,987)</b>	<b>59,571,375</b>
Loss for the year covered by:						
- Share premium reserve	-	(863,987)	-	-	863,987	-
Fair value stock grant	-	-	848,802	-	-	848,802
Expenses related to the share capital increase	-	(55,165)	-	-	-	(55,165)
Remeasurement of defined benefit plans	-	-	-	50,007	-	50,007
Deed of merger at 06.12.18:						
- merger deficit - principle of continuity of values	-	(1,699,271)	-	-	-	(1,699,271)
Total comprehensive income/(loss) for the financial year at 31.12.18	-	-	-	-	16,561,245	16,561,245
<b>Balance at 31 December 2018</b>	<b>41,644,917</b>	<b>7,680,270</b>	<b>9,337,830</b>	<b>52,731</b>	<b>16,561,245</b>	<b>75,276,993</b>

# EXPLANATORY AND SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS

On 12 March 2019, the Board of Directors approved the Fiera Milano SpA Financial Statements at 31 December 2018 and authorised their publication.

Fiera Milano SpA, as Parent Company, has also prepared the Consolidated Financial Statements at 31 December 2018.

Fiera Milano SpA, also through its subsidiaries, is 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 end 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 2018, issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, relative interpretative documents and the provisions of Article 9 of Italian Legislative Decree 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 2017, except for those applicable from 1 January 2018 described below.

Given the capital and financial position for 2018, the financial forecasts in the budget and in the 2019-2022 Business Plan, approved by the Board of Directors on 29 October 2018 and 12 February 2019, respectively, and taking into account the forecasts for working capital performance and for the financial and capital position, the Financial Statements and Consolidated Financial Statements have been prepared on a going concern basis.

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. Note that some figures from the previous year have been restated for comparison purposes.

In 2018, no atypical and/or unusual transactions took place.

The risks and uncertainties affecting business and the Company are described in the Board of Directors' Management Report in the section on the "Risk factors affecting Fiera Milano Group" in Note 25, and in paragraph 1.5 "Use of Estimates" in the Explanatory and Supplementary Notes.

These Financial Statements have been audited by the independent auditors 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 2018.

The nature and impact of each new accounting standard or amendment is given below:

### - IFRS 15 - Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 - Construction Contracts, IAS 18 - Revenue and related interpretations, and applies to all revenue from contracts with customers unless the contracts are covered by other standards. The new standard introduces a new five-step model applying to revenue 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 to the customer.

The standard requires entities to exercise discretion, taking into consideration all the relevant facts and circumstances when applying each step of the model to their contracts with customers. The standard also specifies the accounting treatment for incremental costs associated with obtaining a contract and costs directly associated with completing a contract.

The Company adopted IFRS 15 retrospectively and has carried out a detailed analysis to identify and assess the impact of adopting the new standard on revenue recognition. Given the portfolio composition and existing contracts, there could be significant accounting effects, mainly on revenue items, relating to catering services and insurance services to be recorded net of any direct and attributable costs, resulting in a reduction in revenues but with no impact on the EBITDA or net result for the period. There is no impact on equity as they merely refer to reclassifications in the income statement.

The effects of adoption of the new standard on the comparative year are shown in the following table:

	(€'000)		
<b>IFRS 15 EFFECTS</b>	<b>2017</b>	<b>2017 restated</b>	<b>Change</b>
Revenues from sales and services	219,542	204,714	(14,828)
<b>Total revenues</b>	<b>219,542</b>	<b>204,714</b>	<b>(14,828)</b>
Cost of materials	871	871	-
Cost of services	120,382	105,554	(14,828)
Cost of use of third-party assets	43,511	43,511	-
Personnel expenses	35,692	35,692	-
Other operating expenses	4,991	4,991	-
<b>Total operating expenses</b>	<b>205,447</b>	<b>190,619</b>	<b>(14,828)</b>
Other income	5,697	5,697	-
Provisions for doubtful receivables and other provisions	4,901	4,901	-
<b>EBITDA</b>	<b>14,891</b>	<b>14,891</b>	<b>-</b>

### - IFRS 9 - Financial Instruments

IFRS 9 - Financial Instruments replaces IAS 39 - Financial Instruments: Recognition and Measurement, bringing together all three aspects relating to financial instruments accounting: classification and measurement, impairment and hedge accounting.

Adoption of the new standard had no significant impact on the financial statements items.

- Interpretation IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, when defining the spot rate for use in initial recognition of the related asset, costs or revenues (or part of these) at the time of cancellation of a non-monetary asset or non-monetary liability relating to advance considerations, the transaction date is the date on which the entity initially recognises the non-monetary asset or non-monetary liability relating to advance considerations. For multiple payments or advances, the entity has to define the transaction date for each payment or advance consideration. This interpretation has had no impact on the Company's financial statements.

- Amendments to IAS 40 - Transfers of Investment Property

The amendments clarify when an entity should transfer a property, including properties under construction or development, into or out of the item Investment property. The amendment establishes that there is a change in use when the property satisfies, or ceases to satisfy, its definition as investment property and when there is evidence of its change in use. A simple change in management's intentions regarding use of the property is not sufficient evidence of a change in use. These amendments have had no impact on the Company's financial statements.

- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment

The IASB has issued amendments to IFRS 2 - Share-based Payment which cover three main areas: the effects of a vesting condition on the measurement of a share-based payment in cash; the classification of a share-based payment transaction settled net of withholding obligations; the accounting treatment if a change in the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. On adoption, entities must apply the amendments without restating past periods, but retrospective application is permitted if chosen for all three amendments and other criteria are complied with. These amendments have had no impact on the Company's financial statements.

- Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments concern problems arising from adoption of the new standard on financial instruments, IFRS 9, before adopting IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: temporary exemption from IFRS 9 application and the overlay approach. These amendments do not apply to the Company.

- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures - Clarifying that the initial recognition of an investment at fair value through profit or loss is an option available for each investment in an associate or joint venture.

The amendments clarify that an entity classed as a venture capital organisation or other qualified entity, at the time of initial recognition and in reference to each investment, can decide to designate its investments in associates and joint ventures at fair value through profit or loss.

If an entity not qualifying as an investment entity has an interest in an associate or joint venture that is an investment entity, when applying the equity method the entity can decide whether to keep the fair value measurement applied by that investment entity (an associate or a joint venture) when measuring its own investments (in the associate or joint venture). This decision is made separately for each associate or joint venture in which an entity has an interest at the last (in terms of occurrence) of the following dates: (a) initial recognition of the investment in an associate or joint venture that is an investment entity, (b) when the associate or joint venture becomes an investment entity and (c) when the associate or joint venture that is an investment entity becomes a parent company for the first time. These amendments have had no impact on the Company's financial statements.

- Amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards - Deletion of Short-Term Exemptions for First-Time Adopters

The short-term exemptions envisaged in paragraphs E3-E7 of IFRS 1 have been deleted as they have now served their intended purpose. These amendments have had no impact on the Company's financial statements.



The main aspects introduced by new standards already approved by the European Union but applicable from 2019 are presented below.

- IFRS 16 - Leases

Regulation (EC) no. 2017/1986 issued on 31 October 2017 by the European Commission approved IFRS 16 - Leases, which replaces IAS 17 and related interpretations. In particular, IFRS 16 defines a lease as a contract that attributes to entities acting as lessees the right of use of an asset for a certain period of time in exchange for payment. The new standard eliminates the separate classification of operating or finance leases for preparation of the financial statements of entities acting as lessees. Specifically, the following is required for all leases with a duration of more than 12 months:

- in the Statement of Financial Position, recognition of a right-of-use asset (ROU), and of a lease liability representing the obligation to make the contractual payments. As permitted by the standard, right-of-use assets and lease liabilities are recognised in items separated from other asset and liability items;
- in the Income Statement, recognition of the amortisation on the right-of-use assets and accrued interest expense on the lease liability, instead of recognising operating lease payments among operating costs. The Income Statement will also include: (i) lease payments relating to short-term leases of moderate value, as permitted in simplified form by IFRS 16; and (ii) variable lease payments not included in the lease liability calculation;
- in the Statement of Cash Flows, recognition of lease liability repayments among the net cash flows from financing activities and of interest expense among net cash flows from operating activities, if recorded in the Income Statement. Consequently, compared to the provisions of IAS 17 in reference to operating leases, the application of IFRS 16 results in an impact on the Statement of Cash Flows in that it determines: (a) an improvement in net cash flows from operating activities, which no longer includes lease payments, but outlay for interest expense on the lease liability; (b) a decline in net cash flows from financing activities that will include outlay associated with repayment of the lease liability.

This standard, approved by the European Union, is applicable from 1 January 2019. The Company will apply the new standard from its entry into force.

The Company has completed the preliminary assessment of potential impact deriving from application of the new standard as at the transition date (1 January 2019). This process was in several steps, including full mapping of the contracts potentially eligible as containing a lease and their analysis to understand the main clauses relevant for IFRS 16.

This analysis showed material effects on the accounting representation of the item Non-current assets and on Non-current financial debt as, to conduct its activities, the Company uses exhibition sites and warehouses leased from the controlling entity Fondazione Fiera Milano.

On first-time adoption, the Company intends to use the modified retrospective approach i.e. the option not to restate the comparative figures from previous years. Based on this criterion, the lease liability is measured on the basis of residual lease payments, discounted at the marginal lending rate as at the date of first-time adoption. The carrying amount of the lease liability is equal to the carrying amount of the right-of-use asset (or ROU asset) at the transition date. The value of lease-related prepayments recognised in the Statement of Financial Position at the reporting date will be reclassified under the item ROU assets on first-time adoption of the standard in question.

In addition, the Company will adopt the exemption permitted by the standard for short-term leases (with a duration of less than 12 months) for all asset classes and for leases in which the underlying asset is of a modest unit value. Contracts for which the exemption was applied are mainly in the categories: computers, telephones and tablets; office and multi-function printers and other electronic devices.

For these contracts, the introduction of IFRS 16 will not require recognition of a lease liability and related right of use, but rather the lease payments will be recognised in the Income Statement on a straight-line basis over the duration of the respective contracts.

The transition to IFRS 16 introduces certain elements of professional opinion and the use of assumptions and estimates relating to the lease duration and definition of the marginal lending rate. The main elements can be summarised as follows:

- the contract renewal clauses are considered in determining the duration when their exercise is deemed reasonably certain, i.e. when the Company has the option of exercising the renewal without first obtaining consent from the counterparty. In particular, this criterion led to the determination of a residual duration of around 13 years for rent on the exhibition structures leased from the controlling entity Fondazione Fiera Milano;
- the discounting rate used to calculate the lease liability is determined, as described below, by a base rate that reflects the financial market performance, plus a market spread that reflects the risk premium required by lenders taking into account the lease duration. The 10-year IRS rate recorded at 1 January 2019 was used as the base rate, whilst the market spread was established by considering a list of companies comparable with Fiera Milano, listed and operating in the exhibition sector. The average rate used was therefore calculated as 2.81%.

Based on available data, the adoption of IFRS 16 involves the recognition of right-of-use assets and lease liabilities at 31 December 2018 totalling Euro 482 million. This estimate could change in relation to developments from any IFRIC interpretations, as well as streamlining of the preparation process following the first-time adoption of the standard in 2019 financial reporting.

- With regard to accounting standards issued by the IASB, approved by the European Commission but not yet entered into force, also note the fact that Regulation (EC) no. 2018/1595 issued on 23 October 2018 by the European Commission also approved IFRIC 23 - Uncertainty over Income Tax Treatments, containing indications for the accounting of tax assets and liabilities (current and/or deferred) relating to income taxes in the presence of uncertainties regarding application of the tax regulations. The provisions of IFRIC 23 are applicable from financial years starting on or after 1 January 2019. Analyses to assess the impact of the new provisions are currently in progress.

### 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 decisions:

- the Statement of Financial Position is presented with separate sections for Assets, Liabilities, and Equity. Assets and liabilities are also recognised according to their classification 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;
- 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 measurement criteria

#### BUSINESS COMBINATIONS

Business combinations are accounted for by applying the acquisition method in accordance with IFRS 3 – Business Combinations, revised in 2008. Under this method, the amount transferred in a business combination is measured at fair value, determined as the sum of fair values of the assets transferred and the liabilities assumed by the Company at the acquisition date and the equity instruments issued in exchange for control of the acquired entity. All other costs associated with the transaction are recognised in the Statement of Comprehensive Income at the time they are incurred.

Contingent considerations, considered part of the transfer price, are measured at fair value at the acquisition date. Subsequent changes to the fair value are recognised through other 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 considerations transferred for the business combination, the equity value pertaining to non-controlling interests and the fair value of any previously held equity interest in the acquired entity and the fair value of net assets acquired and liabilities assumed at the acquisition date. If the difference between the net acquisition-date amounts of the assets and liabilities exceeds the considerations transferred, the equity value pertaining to non-controlling interests and the fair value of any previously held equity interest in the acquired entity, the excess is immediately recognised in the Statement of Comprehensive Income as income deriving from the transaction.

In the fair value measurement process for business combinations, the Company uses available information and, for more material business combinations, also uses the support of external appraisals.

#### **Business combinations achieved in stages**

When a business combination is achieved in stages (step acquisition), the Company's 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 the statement of comprehensive income. 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 (i.e. between entities controlled by the same party or parties) are excluded from the scope of IFRS 3 - Business Combinations. In the absence of a standard that deals specifically with this type of transaction, adoption of the most suitable treatment must be guided by the general scope of IAS 8, i.e. providing a reliable and truthful representation of the transaction and applying the principle of substance over 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", 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 value continuity. This principle entails recognition in the financial statements of values equal to those that would have existed if the net assets involved in the combination had always been combined. The net assets must therefore be recognised at their carrying amounts in the relevant accounts prior to the transaction or, if available, at the values in the Consolidated Financial Statements of the controlling entity Fiera Milano SpA. Where the transfer values are higher than the historic values, the excess must be eliminated by a downward adjustment to the equity of the acquirer, charged to a specific reserve.

## **TANGIBLE FIXED ASSETS**

#### **Property, plant and equipment**

Property, plant and equipment are recognised at purchase or production cost, including directly attributable expense, adjusted for accumulated depreciation.

Tangible assets are systematically depreciated each year on a straight-line basis, using economic/technical rates determined by the residual useful life of the assets.

Routine maintenance costs are charged to the income statement 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 components being replaced is recognised in the income statement.

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 lease.

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 impairment tested using the procedure illustrated in the paragraph "Impairment of assets".

### INTANGIBLE FIXED ASSETS

An intangible asset is recognised only if it is identifiable and controllable, is expected to generate future economic benefits, and 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 impairment test purposes, allocated to a cash generating unit or group of cash generating units which benefit from the synergies permitted by the acquisition that generated the goodwill. After initial recognition, goodwill is measured at cost less any impairment loss stemming from the impairment tests (see the paragraph "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 cash inflows. 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, they are impairment tested using the procedure illustrated in the paragraph "Impairment of assets".

Industrial patents, intellectual property rights, licences and concession agreements are amortised over three years from the year they were acquired.

Exhibition trademarks are amortised on the basis of a useful life of between ten and twenty years, estimated on the competitive dynamics of the industry and a comparison of the practices adopted by leading Italian and foreign competitors.

Research costs are recognised in the income statement at the time they are incurred. In compliance with IAS 38, development costs relating to specific projects, including the launch of new exhibitions, are capitalised when it is probable that the generation of future economic benefits is reasonably certain and when their costs can be reliably measured and amortised in the period when the expected future benefits are realised for the same project. The carrying amount 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 systematically tested for impairment at the end of the reporting period, or more often if impairment indicators emerge.

Tangible and intangible assets with a definite useful life that are depreciated or amortised are tested for impairment only when there are indications of impairment.

Whether recognised values can be recovered was verified by comparing the carrying amount against the higher between the net sale price and the value in use of the asset. The net sale price is the amount obtainable from the sale of an asset in a transaction between willing and able third parties, less costs to sell. In the absence of binding agreements, prices listed on an active market, or the best information available taking into account recent transactions involving identical or similar assets in the same business sector, are used as reference. The value in use is calculated by discounting, at an appropriate rate expressing the weighted average cost of capital of a company with a similar risk profile and debt profile, the expected cash flows from use of the asset (or group of assets, i.e. cash generating units) and its disposal 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 amount 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 recognised if there had been no impairment. Reversal of impairment is recognised in the income statement.

#### 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 ownership of the asset to the lessee.

Given this, under IAS 17 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 at the end of the lease term;
- the lessee has the option of purchasing the asset at a price 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 that the option will be exercised;
- the lease term covers most of the economic life of the asset, even if ownership is not transferred;
- at the inception of the lease, the present value of minimum lease payments due is at least equal 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 the Fiera Milano SpA under contracts qualifying as finance leases are recognised as tangible or intangible assets at the lower of the fair value at the purchase date and the discounted value of minimum lease payments due and amortised over the estimated useful life. The corresponding liability to the lessor is recognised in the Statement of Financial Position 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 the income statement under financial expenses.

For operating leases, the lease payments are recognised in the income statement on a straight-line basis pro rata temporis for the duration of the lease.

## FINANCIAL ASSETS

IFRS 9 requires that if specific options are not exercised, financial instruments are classified according to the following criteria:

- Business Model defined by the entity for financial instruments management, and
- characteristics of the contractual cash flows of the financial instruments.

IFRS 9 envisages three asset categories:

- assets held to collect the contractual cash flows (or Hold to Collect; HTC), measured at amortised cost;
- assets held to collect the contractual cash flows and to be sold (or Hold to Collect and Sell; HTCS), designated at fair value through profit or loss (FVTPL) or through other comprehensive income (FVOCI);
- other financial assets designated at fair value through profit or loss. This residual category can include all business models other than those mentioned above.

The financial assets are initially recognised at fair value, normally represented by the transaction price, plus any accessory charges on the purchase.

The amortised cost criterion offers the best representation in the financial statements for financial assets comprising debt securities and receivables, in that it allows the interest to be spread over the holding period, in compliance with accrual accounting.

Subsequent measurement after initial recognition is at amortised cost or fair value, and these methods are applied according to the category of the financial instrument concerned.

With regard to the classification of financial liabilities, IFRS 9 envisages a general rule by which the entity measures the financial liabilities at amortised cost using the effective interest method (as previously under IAS 39). As regards assets and liabilities measured at fair value, any changes in value are recognised in the income statement, therefore helping to determine the profit or loss for the year. However, if the changes are caused by a change in credit risk, the changes in fair value are recognised in equity.

Assets classed as held to maturity are recognised among current financial assets if the maturity is less than twelve months, or as non-current if greater. They are subsequently measured 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 measured 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 flows.

Available-for-sale assets are recognised as non-current assets, unless they are to be divested within twelve months from the end of the reporting period, and are measured at fair value. Losses or gains from fair value measurement are recognised in other comprehensive income and aggregated in a specific equity reserve until they are sold, recovered or otherwise derecognised.

## Investments

After initial recognition, investments in subsidiaries and associates are measured at cost less any impairment loss stemming from the annual impairment tests.

Investments fall under the scope of application of the IFRS 9 classification and measurement criteria for equity investments, excluding interests in subsidiaries, associates and joint ventures and companies under their control which are instead classed as equity instruments under IAS 32. In this residual category, the investments are designated at fair value through other comprehensive income.

## INVENTORIES

Inventories are valued at the lower of purchase or production cost, including contingent costs, calculated using the FIFO method, and the estimate net realisable value based on market trends. Inventories consist mainly of outstanding costs relating to activities in future years.

## 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 for the Statement of Financial Position.

## ASSETS AND LIABILITIES HELD FOR SALE

This category includes assets and liabilities or disposal groups/discontinued operations where the carrying amount 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 amount and their fair value less costs to sell.

If an asset that is depreciated or amortised is reclassified to this item, the depreciation or amortisation process is discontinued at the time of reclassification.

In compliance with IFRS 5, figures for discontinued operations are presented as follows:

- in two specific items of the Statement of Financial Position: Assets held for sale and Liabilities held for sale;
- in a specific item of the Income Statement: Net profit/loss for the period from discontinued operations.

## EQUITY

### Treasury shares

The nominal value of treasury shares is deducted from share capital and any amount in excess of nominal 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 deducted from the share premium reserve. Regarding the sale of treasury shares, the share capital and the share premium reserve are reconstituted by the same amounts as the reductions applied when the shares were acquired while any gains/losses from the sale is recognised in equity, under other reserves, with no impact on the income statement. The shares taken as reference for the calculation of gains/losses on disposal are selected using the FIFO method.

### Stock Grants

In accordance with IFRS 2 - Share-based Payment, the total fair value of stock grants at the assignment date was recognised in full in the Income Statement under personnel costs, over the entire period between the assignment date and their vesting date, with a reserve recognised in equity as a balancing entry.

The fair value of the stock grants was measured at their assignment date, reflecting the arm's length value at that date.

If a "vesting period" is envisaged in which certain conditions (targets reached) have to be satisfied in order for the assignees to become rights holders, the remuneration costs, determined on the present value of the shares at the assignment date, are recognised under personnel costs on a straight-line basis over the period between the assignment date and the vesting date.

If a stock grant is assigned at the end of the vesting period, a corresponding increase in equity is recognised.

### 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 the underlying financial obligations have been discharged.

If they have a due date exceeding twelve months, the 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 is a financial instrument or other form of contract with the following characteristics: (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, a credit rating, or another pre-established underlying variable; (ii) it requires no net initial investment or, if initial investment is required, 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. Derivatives are classified as financial instruments and therefore adjusted to fair value at the end of each year. The effects of fair value adjustments are recognised in the income statement as financial income/expenses.

### PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are allocated when the Company must meet a present obligation (legal or implicit) 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 potential liabilities", and no provisions are allocated for these.



## **BANK BORROWINGS AND OTHER FINANCIAL LIABILITIES**

Financial payables are initially recognised at cost, represented by the fair value of the funds received net of accessory charges incurred in acquiring the loan. After initial recognition, borrowings are measured at amortised cost, calculated using the effective interest rate method. Amortised cost is calculated by 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 termination 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 severance indemnities are considered a defined benefit plan, i.e. a plan consisting of benefits provided post-employment, which constitutes a future obligation for which the Company assumes actuarial risks and related investments. As required by IAS 19, 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 comprehensive income.

From 1 January 2007, following the social security reform, cumulative employee severance indemnities are 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 accrued 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 terminating the employment of an employee or group of employees before the normal retirement date or provides termination benefits as a result of an incentive to 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**

Revenues are recognised when contractual obligations are fully satisfied and the customer acquires control of the assets transferred. They 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 provision of services is recognised when the service is provided. In compliance with paragraph 31 et seq. of IFRS 15, services relating to exhibitions and congresses are transferred to the customer during the exhibitions and events, the duration identifying the period in which most of the related costs are incurred. Likewise, such revenues are recognised during the exhibition or event as the funds used and costs incurred are also spread over the exhibition/event duration.

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 the income statement in the period in which they are incurred.

### OTHER INCOME

This item has a residual nature and includes revenues from grants and subsidies.

### FINANCIAL INCOME AND EXPENSES

Financial income and expenses are recognised in the accounts based on timing that considers the effective return/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 the income statement, except those relating to items charged or credited directly in equity, the tax effect of which 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 when there is a legal right to offsetting.

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 the income statement. Exchange rate differences are recognised in financial income and expenses.

### DIVIDENDS

Dividend income is recognised when the shareholders' right to receive payment has been established. This is normally the date of the Annual Shareholders' Meeting that approves the dividend distribution.

## 1.5 Use of estimates

Preparation of the 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 receivables, 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 the income statement.

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 systematically tested for impairment at least annually, or more often if impairment indicators emerge. The impairment test calls for a discretionary estimate of the values in use of the cash generating unit to which the goodwill is attributed, in turn based on the estimate of future cash flows of the CGU and their discounting at a specified 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 calls for a discretionary estimate of the values in use of the cash generating unit to which the asset is attributed, in turn based on the estimate of future cash flows of the CGU and their discounting at a specified discount rate.
- *Deferred tax assets* recognised against tax losses carried forward and other taxable temporary differences to the extent that it is probable there will be sufficient future taxable income against which these tax losses and other taxable temporary differences can be used. The Directors must make a significant discretionary assessment of the amount of deferred tax assets to be recognised. The Company's Business Plan was taken into consideration when verifying the recoverability of deferred tax assets.
- *Provisions for risks and charges* are subject to discretionary estimates using the best available information at the date of these Financial Statements and based on historic and future data regarding the likely outcome of legal disputes or events, for which assessment of the risk profiles and likely financial impact is uncertain and complex and could result in an adjustment to the estimates.

Reference should be made to the specific paragraph in the notes to the Financial Statements for the use of estimates on financial risks. Measurement of the provision for risks refers to the best information available at the end of the reporting period.

The 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 estimates.

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.

### 1.6 Extraordinary transactions during the year

On 6 December 2018, the deed of merger by incorporation of the wholly-owned subsidiary company Ipack-Ima SpA into the Controlling Entity Fiera Milano SpA was signed. The signature of this deed follows the resolution of the Board of Directors of 28 September 2018. The decision to merge was taken by the Board of Directors pursuant to the combined provisions of articles 2502 and 2505 of the Italian Civil Code and in accordance with article 17.1 of the Fiera Milano SpA Articles of Association. The merger, effective from 14 December 2018, did not entail any exchange of shares, as the incorporated company was already wholly-owned by Fiera Milano SpA.

In general, the merger of wholly-owned companies is excluded from the scope of application of IFRS 3 - Business Combinations as, in reference to the assets to be aggregated, there is no exchange with third-party economies or an acquisition in the economic sense.

In the absence of reference IFRS, a parent-subsiary merger follows the instructions given in the Assirevi Preliminary Guidance on IFRS (OPI 2).

Specifically, in accordance with these instructions, in parent-subsiary mergers where the merged entity is 100% owned, the principle of value continuity is adopted.

Application of the principle of value continuity led to the recognition of assets and liabilities aggregated on the basis of carrying amounts indicated in the consolidated financial statements of the merging entity, without higher current values emerging compared to those stated in the consolidated financial statements and without higher goodwill as the merger in question does not involve any economic exchange.

The accounting and tax effects of the merger are applied retrospectively from 1 January 2018. Consequently, the merger deficit originating from the transaction described is the difference between the cost of the investment in the merged entity recognised in the merging entity's financial statements and the equity of the merged entity recognised in the merging entity's consolidated financial statements at 1 January 2018.

<b>IPACK-IMA SPA</b>	(€'000)
Net Equity Ipack-Ima SpA 1st January 2018	5,126
Investment value in Fiera Milano SpA	6,825
<b>Deficit 1st January 2018</b>	<b>(1,699)</b>

## 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 are given below:

(€'000)

PROPERTY, PLANT AND EQUIPMENT	Balance at 31/12/16	Changes during the financial year						Balance at 31/12/17
		Incr.	Decr.	Depr.	Impairment	Reclassification	Other changes	
<b>Plant and machinery</b>								
. historic cost	15,575	377	-	-	-	-	-	15,952
. depreciation	14,442	-	-	462	-	-	-	14,904
Net	1,133	377	-	462	-	-	-	1,048
<b>Industrial and commercial equipment</b>								
. historic cost	12,305	535	45	-	-	-	-	12,795
. depreciation	11,882	-	45	204	-	-	-	12,041
Net	423	535	-	204	-	-	-	754
<b>Other assets</b>								
. historic cost	27,729	229	5	-	-	-	-	27,953
. depreciation	25,607	-	-	495	-	-	-	26,102
Net	2,122	229	5	495	-	-	-	1,851
<b>Total property, plant and equipment</b>								
. historic cost	55,609	1,141	50	-	-	-	-	56,700
. depreciation	51,931	-	45	1,161	-	-	-	53,047
<b>Net</b>	<b>3,678</b>	<b>1,141</b>	<b>5</b>	<b>1,161</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,653</b>

(€'000)

PROPERTY, PLANT AND EQUIPMENT	Balance at 31/12/17	Changes during the financial year						Balance at 31/12/18
		Incr.	Decr.	Depr.	Impairment	Reclassification	Other changes	
<b>Plant and machinery</b>								
. historic cost	15,952	183	-	-	-	-	(17)	16,118
. depreciation	14,904	-	-	391	-	-	(17)	15,278
Net	1,048	183	-	391	-	-	-	840
<b>Industrial and commercial equipment</b>								
. historic cost	12,795	103	21	-	-	-	-	12,877
. depreciation	12,041	-	21	253	-	-	-	12,273
Net	754	103	-	253	-	-	-	604
<b>Other assets</b>								
. historic cost	27,953	210	31	-	-	-	(104)	28,028
. depreciation	26,102	-	22	470	-	-	(104)	26,446
Net	1,851	210	9	470	-	-	-	1,582
<b>Total property, plant and equipment</b>								
. historic cost	56,700	496	52	-	-	-	(121)	57,023
. depreciation	53,047	-	43	1,114	-	-	(121)	53,997
<b>Net</b>	<b>3,653</b>	<b>496</b>	<b>9</b>	<b>1,114</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,026</b>

The amounts and changes in the various items during the year were as follows:

### Plant and machinery

This item totalled Euro 840 thousand, net of depreciation for the year of Euro 391 thousand, and was for costs relating to electrical, heating, alarm and audiovisual systems.

The total increases amounting to Euro 183 thousand referred to plant and machinery for the Rho exhibition site.

### Industrial and commercial equipment

This item totalled Euro 604 thousand, net of depreciation for the year of Euro 253 thousand, and was mainly for equipment and furnishings related to the exhibition business.

The total increases amounting to Euro 103 thousand referred to the purchase of furniture and equipment related to exhibition activities at the Rho exhibition site.

### Other assets

This item totalled Euro 1,582 thousand net of depreciation for the year of Euro 470 thousand, and refers to purchases of electronic equipment, furniture and furnishing accessories and vehicles.

The total increase of Euro 210 thousand was made up of Euro 208 thousand for electronic equipment and furnishing accessories and of Euro 2 thousand 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 duration of the real estate lease.

The item Property, plant and equipment did not include related-party transactions (Euro 34 thousand at 31 December 2017).

### 3) GOODWILL

The breakdown and changes in the last two financial years are given below:

(€'000)

GOODWILL	Balance at 31/12/16	Changes during the financial year					Other changes	Balance at 31/12/17
		Incr.	Decr.	Impairment	Reclassification			
<b>Goodwill</b>								
. historic cost	82,933	-	-	-	-	-	-	82,933
. depreciation	12,789	-	-	-	-	-	-	12,789
Net	70,144	-	-	-	-	-	-	70,144
<b>Total</b>								
. historic cost	82,933	-	-	-	-	-	-	82,933
. depreciation	12,789	-	-	-	-	-	-	12,789
<b>Net</b>	<b>70,144</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70,144</b>

(€'000)

GOODWILL	Balance at 31/12/17	Changes during the financial year					Other changes	Balance at 31/12/18
		Incr.	Decr.	Impairment	Reclassification			
<b>Goodwill</b>								
. historic cost	82,933	-	-	-	-	-	-	82,933
. depreciation	12,789	-	-	-	-	-	-	12,789
Net	70,144	-	-	-	-	-	-	70,144
<b>Total</b>								
. historic cost	82,933	-	-	-	-	-	-	82,933
. depreciation	12,789	-	-	-	-	-	-	12,789
<b>Net</b>	<b>70,144</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70,144</b>

The amounts and changes in the various items during the year were as follows:

#### Goodwill

This item totalled Euro 70,144 thousand.

Goodwill of Euro 29,841 thousand 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 2011, it increased by Euro 40,350 thousand as a result of the merger by incorporation of the 100% owned subsidiary, Rassegne SpA, into the controlling entity Fiera Milano SpA and by Euro 80 thousand for goodwill relating to acquisition of the Information Communication Technology business unit of the subsidiary Expopage SpA, now Fiera Milano Media SpA.

In 2012, it increased by a further Euro 21 thousand as a result of the merger by incorporation of the 100% owned subsidiary, TL.TI Expo SpA, into the controlling entity Fiera Milano SpA and decreased by Euro 148 thousand for goodwill relating to acquisition of the business unit F&M Fiere & Mostre Srl in 2009, following the adjustment to the final transaction consideration made due to failure to reach the targets for the 2012 editions of exhibitions.

As described in Note 1 on Accounting standards and criteria used to prepare the Financial Statements, goodwill is not amortised but is subject to impairment tests at the end of each reporting period or more frequently if there are any indications of impairment. Paragraph 1.5 "Use of estimates" gives details of the methods used for the impairment tests in 2018.

The recoverable amount of the cash generating units (CGUs) was verified by calculating the higher between the fair value net of costs to sell and the value in use.

For Fiera Milano SpA, the CGUs were defined at individual exhibition level, consistent with Group segment reporting.

From the Interim Report for the third quarter of 2018, Fiera Milano segment reporting introduced a number of amendments necessary after major changes in the organisation and governance of the Group and the integration of certain operating and sales processes. More specifically, the operating segment/group of CGUs identified encompasses all of the activities relating to exhibitions held in the Exhibition Sites of **fieramilano** and **fieramilanocity**. For impairment testing purposes, the CGU groupings were reviewed in the light of new Group segment reporting and the new CGU classifications.

Fiera Milano SpA has recognised goodwill totalling Euro 70,144 thousand, which for impairment testing purposes were allocated to the respective CGU grouping and verified by taking into account Fiera Milano SpA cash flows that include all the exhibitions held at the Exhibition Sites, achieving positive results in the test and the sensitivity analyses.

Cash flow projections beyond the time horizons of the respective business plans are generally made using the average gross operating profit for the four years of the plan and reconstructing a normalised cash flow without considering changes in working capital but including maintenance and replacement investments.

Note that the terminal value is measured as a perpetual annuity obtained by capitalising the average net cash flows, as specified above, using a weighted average cost of capital (WACC) discount rate of 6.32% and taking into account a growth factor of 2.0% in line with the forecast medium/long-term inflation rate.

The WACC incorporates a cost of risk capital of 7.71% and a cost of debt of 2.81%, with a debt equal to 25% of invested capital (the average for comparable companies). The individual benchmarks were determined by 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 2.61%, a market risk premium of 6.10% and a levered beta of 0.67, in line with the average for the sector. It also incorporates a specific risk coefficient to cover execution risk relating to 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 in both cases.

Lastly, impairment testing was also arranged for the CGU groupings adopted until last year ("Exhibitions" and "Directly Organised Exhibitions"), with positive results both in the test and the sensitivity analyses.



#### 4) INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

The breakdown and changes in the last two financial years are given below:

	(€'000)							
INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE	Balance at 31/12/16	Changes during the financial year					Other changes	Balance at 31/12/17
		Incr.	Decr.	Amort.	Impairment	Reclassification		
<b>Industrial patents and intellectual property rights</b>								
. historic cost	37,075	369	-	-	-	17	-	37,461
. amortisation	35,458	-	-	935	-	-	-	36,393
Net	1,617	369	-	935	-	17	-	1,068
<b>Concessions, licenses and similar rights</b>								
. historic cost	3,678	66	-	-	-	-	-	3,744
. amortisation	3,362	-	-	197	-	-	-	3,559
Net	316	66	-	197	-	-	-	185
<b>Trademarks</b>								
. historic cost	24,443	-	-	-	-	-	-	24,443
. amortisation	16,323	-	-	683	1,534	-	-	18,540
Net	8,120	-	-	683	1,534	-	-	5,903
<b>Intangible fixed assets under construction</b>								
. historic cost	17	13	-	-	-	(17)	-	13
Net	17	13	-	-	-	(17)	-	13
<b>Total intangible assets with a finite useful life</b>								
. historic cost	65,213	448	-	-	-	-	-	65,661
. amortisation	55,143	-	-	1,815	1,534	-	-	58,492
<b>Net</b>	<b>10,070</b>	<b>448</b>	<b>-</b>	<b>1,815</b>	<b>1,534</b>	<b>-</b>	<b>-</b>	<b>7,169</b>

(€'000)

INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE	Balance at 31/12/17	Changes during the financial year						Balance at 31/12/18
		Incr.	Decr.	Amort.	Impairment	Reclassification	Other changes	
<b>Industrial patents and intellectual property rights</b>								
. historic cost	37,461	550	-	-	-	5	298	38,314
. amortisation	36,393	-	-	665	-	-	298	37,356
Net	1,068	550	-	665	-	5	-	958
<b>Concessions, licenses and similar rights</b>								
. historic cost	3,744	385	-	-	-	8	-	4,137
. amortisation	3,559	-	-	119	-	-	-	3,678
Net	185	385	-	119	-	8	-	459
<b>Trademarks</b>								
. historic cost	24,443	-	-	-	-	-	-	24,443
. amortisation	18,540	-	-	537	-	-	-	19,077
Net	5,903	-	-	537	-	-	-	5,366
<b>Intangible fixed assets under construction</b>								
. historic cost	13	-	-	-	-	(13)	-	-
Net	13	-	-	-	-	(13)	-	-
<b>Total intangible assets with a finite useful life</b>								
. historic cost	65,661	935	-	-	-	-	298	66,894
. amortisation	58,492	-	-	1,321	-	-	298	60,111
<b>Net</b>	<b>7,169</b>	<b>935</b>	<b>-</b>	<b>1,321</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,783</b>

The breakdown and changes in the various items during the year were as follows:

### Industrial patents and intellectual property rights

This item totalled Euro 958 thousand net of amortisation for the year of Euro 665 thousand. The total increase of Euro 550 thousand refers to costs associated with the implementation of digital projects and software purchases.

Amortisation is calculated on the estimated useful life of the asset, which is three years.

### Concessions, licences and similar rights

This item totalled Euro 459 thousand net of amortisation for the year of Euro 119 thousand. The total increase of Euro 385 thousand refers to the acquisition of software licences with time-limited user rights.

Time-limited software licences are amortised over a period of three years.

### Trademarks

This item totalled Euro 5,366 thousand net of amortisation for the year of Euro 537 thousand, with breakdown as follows:

- Host	Euro 1,633 thousand;
- Mipap Milano Prêt-à-Porter	Euro 1,535 thousand;
- Promotion Trade Exhibition	Euro 1,206 thousand;
- Transpotec & Logitec	Euro 425 thousand;
- Festivity	Euro 260 thousand;
- Miart	Euro 113 thousand;
- La Campionaria	Euro 97 thousand;
- BtoBio Expo	Euro 78 thousand;
- Tuttofood	Euro 10 thousand;
- Fruit&Veg Innovation	Euro 9 thousand.

For the purpose of the impairment testing of trademarks to which Fiera Milano SpA assigns a finite useful life, the external and internal sources of information specified in paragraphs 12-14 of IAS 36 were examined and no signs of impairment were found.

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 and its operating profitability.

## 5) INVESTMENTS

The breakdown and changes during the year were as follows:

INVESTMENTS (€'000)	% held 31/12/18	Book value 31/12/17	Changes during the financial year						Book value 31/12/18
			Incr.	Decr.	Extraordinary transactions effects	Reclassification	Revaluations	Write- downs	
<b>Equity investments in subsidiaries companies</b>									
Fiera Milano Congressi SpA	100%	12,200	-	-	-	-	-	-	12,200
Fiera Milano Media SpA	100%	7,618	-	-	-	-	-	-	7,618
Ipack-Ima SpA	100%	6,825	-	-	(6,825)	-	-	-	-
La Fabbrica del Libro SpA	51%	1,447	547	-	-	-	-	1,994	-
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%	-	800	-	-	-	-	-	800
Fiera Milano Exhibitions Africa Pty Ltd	100%	415	-	-	-	-	-	-	415
Fiera Milano India Pvt Ltd	99.99%	64	-	-	-	-	-	2	62
<b>Total</b>		<b>41,961</b>	<b>1,347</b>	<b>-</b>	<b>(6,825)</b>	<b>-</b>	<b>-</b>	<b>1,996</b>	<b>34,487</b>
<b>Equity investments in joint-ventures</b>									
Hannover Milano Global Germany GmbH	49%	10,990	-	-	-	-	-	-	10,990
Ipack Ima Srl	49%	-	-	-	2,407	-	-	-	2,407
<b>Total</b>		<b>10,990</b>	<b>-</b>	<b>-</b>	<b>2,407</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,397</b>
<b>Other Investments</b>									
Comitato Golden Card	33.33%	32	-	-	-	-	-	-	32
<b>Total</b>		<b>32</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32</b>
<b>Total equity investments</b>		<b>52,983</b>	<b>1,347</b>	<b>-</b>	<b>(4,418)</b>	<b>-</b>	<b>-</b>	<b>1,996</b>	<b>47,916</b>

The values of investments are shown net of any impairment losses.

The value and changes in investments are described below.

- On 7 March 2018, Fiera Milano SpA made a share capital increase payment of Euro 800 thousand to Eurofairs International Consultoria e Participações Ltda in order to strengthen the company's capital. This transaction is covered by the Board of Directors resolution of 19 February 2018 which approved that the financial resources of the subsidiary would be ensured through capital injections and/or loans by up to Euro 2,200 thousand.
- On 17 May 2018, Fiera Milano SpA paid Euro 547 thousand for a share capital increase of La Fabbrica del Libro SpA in order to bring its equity back to the level of its initial share capital by covering losses accrued at 31 December 2018.

- On 6 December 2018, the deed of merger by incorporation of the wholly-owned subsidiary company Ipack-Ima SpA into the Controlling Entity Fiera Milano SpA was signed. The signature of this deed follows the resolution of the Board of Directors of 28 September 2018. The decision to merge was taken by the Board of Directors pursuant to the combined provisions of articles 2502 and 2505 of the Italian Civil Code and in accordance with article 17.1 of the Fiera Milano SpA Articles of Association. The merger did not entail any exchange of shares, as the incorporated company was already wholly-owned by Fiera Milano SpA. Fiera Milano SpA aggregated the assets, liabilities and equity of the incorporated company, cancelling the value of the investment of Euro 6,825 thousand against the equity of the incorporated company.

Further details can be found in the previous comments under section 1.6 "Extraordinary transactions".

In addition, the effects of the merger transfer to Fiera Milano SpA a 49% interest in Ipack Ima Srl, held by Ipack-Ima SpA for a value of Euro 2,407 thousand.

The investments in all operating companies were impairment tested at year end, and all had a positive outcome except for the investment in La Fabbrica del Libro SpA which was fully written down due to the fact that, after cancellation of 2019 edition of the Tempo di Libri exhibition, the company's equity is forecast to be close to zero in 2019.

The investment in Fiera Milano India Pvt Ltd (a company not currently active) was adjusted to its net financial position, resulting in a write-down of Euro 2 thousand.

The discounted cash flow method is used for impairment, based on plans approved by the respective Boards of Directors. The time horizon considered is four years, as several important events in the exhibition calendar have a biennial frequency. Cash flow projections beyond the time horizons of the respective business plans are in all cases made using the average gross operating profit for the entire period of the plan and reconstructing a normalised cash flow without considering changes in working capital but including maintenance and replacement investments.

Note that the terminal value is measured as a perpetual annuity obtained by capitalising the average net cash flows of the last four years of the plan, using a discount rate calculated by reference country for the various investments. Zero growth in real terms was assumed, considering only the level of medium/long-term inflation forecast in the specific monetary area of reference. Only for Fiera Milano Media SpA, the growth factor did not take into account the medium/long-term inflation forecast and therefore appears as a negative factor in real terms.

The WACC (Weighted Average Cost of Capital) used in the measurements is different for each investment on the basis of: (i) the different risk free rate (assumed to be equal to the yield on 10-year government bond of the CGU's country of reference); (ii) the different specific risk coefficient covering execution risk relating to the forecast cash flows. This risk factor reflects the figures deriving from historic deviations between forecast and final figures, as well as forward-looking assessments of business initiatives; (iii) the different cost of debt based on the expected inflation rate in the individual reference monetary areas of each investment.

A summary of the results is given below:

- Fiera Milano SpA	6.32%
- Fiera Milano Congressi SpA	6.32%
- Fiera Milano Media SpA	7.82%
- Ipack Ima Srl	6.32%
- NoloStand SpA	6.32%
- Eurofairs International Consultoria e Participações Ltda	12.40%
- Fiera Milano Exhibitions Africa Pty Ltd	11.44%
- Hannover Milano Global Germany GmbH	6.57%

Sensitivity analyses were carried out by varying the WACC (+0.5%) and the forecast operating cash flows (-10%) with a positive result in both cases.

## 6) TRADE AND OTHER RECEIVABLES

This item totalled Euro 11,424 thousand (Euro 11,680 thousand at 31 December 2017), of which Euro 89 thousand due beyond five years, with breakdown as follows:

	(€'000)		
<b>TRADE AND OTHER RECEIVABLES</b>	<b>31/12/18</b>	<b>31/12/17</b>	<b>Change</b>
Other receivables from the controlling shareholder	11,335	11,598	(263)
Other guarantee deposits	89	82	7
<b>Total</b>	<b>11,424</b>	<b>11,680</b>	<b>(256)</b>

The item includes:

- other receivables from the controlling entity of Euro 11,335 thousand (Euro 11,598 thousand at 31 December 2017). Euro 10,412 thousand was for the guarantee deposit under the lease agreements for the two exhibitions sites of Rho and Milan. This amount is equivalent to the combined quarterly rent on the two leases. The remainder of Euro 923 thousand refers to the non-current portion of the receivable arising from the right to reimbursement from Fondazione Fiera Milano of the guarantee deposit paid on the two previous lease agreements, partly offset against the amount payable by Fiera Milano SpA as the guarantee deposit for the new leases. This receivable will be repaid by Fondazione Fiera Milano in six-monthly instalments over the term of the lease, offset against the lease payments due from Fiera Milano SpA;
- other guarantee deposits totalling Euro 89 thousand (Euro 82 thousand at 31 December 2017).

Trade and other receivables included Euro 11,335 thousand (Euro 11,598 thousand at 31 December 2017) for related-party transactions. Note 42 provides further details on such transactions.

## 7) DEFERRED TAX ASSETS

This item was zero (Euro 900 thousand at 31 December 2017). The balance net of deferred taxes is recognised in the item "Deferred tax liabilities".

## CURRENT ASSETS

## 8) TRADE AND OTHER RECEIVABLES

	(€'000)		
<b>TRADE AND OTHER RECEIVABLES</b>	<b>31/12/18</b>	<b>31/12/17</b>	<b>Change</b>
Receivables from clients	21,880	19,877	2,003
Trade receivables from subsidiaries	2,068	4,478	(2,410)
Trade receivables from Joint Venture	21	53	(32)
Group VAT receivables to controlling shareholder	-	1,582	(1,582)
Other receivables	898	1,580	(682)
Other receivables from the controlling shareholder	3,274	531	2,743
Prepaid expenses	315	345	(30)
Prepaid expenses from the controlling shareholder	2,604	3,160	(556)
Prepaid expenses from subsidiaries	10	10	-
Prepaid expenses from joint venture	1	-	1
<b>Total</b>	<b>31,071</b>	<b>31,616</b>	<b>(545)</b>

This item totalled Euro 31,071 thousand (Euro 31,616 thousand at 31 December 2017), with breakdown as follows:

- trade receivables due from customers totalled Euro 21,880 thousand (Euro 19,877 thousand at 31 December 2017), net of the provision for doubtful receivables of Euro 3,582 thousand. 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 nominal value in line with the estimated recoverable amount. The change in this provision during the year was as follows:

	(€'000)			
	<b>31/12/17</b>	<b>Provisions</b>	<b>Utilisation</b>	<b>31/12/18</b>
Provision for doubtful receivables	4,396	246	1,060	3,582

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 subsidiaries of Euro 2,068 thousand (Euro 4,478 thousand at 31 December 2017). These were trade receivables and are settled at arm's length.

The services provided are part of the organisation and management of exhibitions and other events at the exhibition site.

- Other receivables of Euro 898 thousand (Euro 1,580 thousand at 31 December 2017). These included IRES receivables for Euro 133 thousand, advances to INAIL for Euro 120 thousand, other tax receivables for Euro 32 thousand, receivable from employees for Euro 85 thousand, receivables for tax advances on employee severance indemnities for Euro 305 thousand, advances to suppliers for Euro 193 thousand and other current receivables for Euro 30 thousand.

- Other receivables from the controlling entity of Euro 3,274 thousand (Euro 531 thousand at 31 December 2017). The receivables refer mainly to investment projects coordinated and managed by Fiera Milano SpA, support for which was planned by the controlling entity Fondazione Fiera Milano as part of the plan for competitiveness and sustainability of the exhibition structures.
- Prepayments for Euro 315 thousand (Euro 345 thousand at 31 December 2017). These refer to insurance premiums and other accruals, and to costs incurred by year end but pertaining to the following year.
- Prepayments from the controlling entity of Euro 2,604 thousand (Euro 3,160 thousand at 31 December 2017). These mainly refer to lease payments for the **fieramilano** exhibition site.

Note that the contribution from the merger of Ipack-Ima SpA totalled Euro 39 thousand.

Trade and other receivables included Euro 7,978 thousand (Euro 9,814 thousand at 31 December 2017) for related-party transactions. Note 42 provides further details on such transactions.

## 9) INVENTORIES

This item includes deferred costs for Euro 2,786 thousand (Euro 2,233 thousand at 31 December 2017) in relation to events to be held after 31 December 2018.

INVENTORIES	(€'000)		
	31/12/18	31/12/17	Change
Tuttofood	1,192	496	696
Host	523	60	463
Bit	228	250	(22)
Miart	204	256	(52)
HOMI I semester	176	237	(61)
Transpotec & Logitec	106	1	105
Promotion Trade Exhibition	56	125	(69)
Expodetergo	-	363	(363)
Print4all	-	216	(216)
Other	301	229	72
<b>Total</b>	<b>2,786</b>	<b>2,233</b>	<b>553</b>

The change refers mainly to costs incurred during the year for exhibitions which, in relation to the different exhibitions calendar, will be held in the next year.

Inventories included Euro 618 thousand (Euro 270 thousand at 31 December 2017) for related-party transactions. Note 42 provides further details on such transactions.



## 10) FINANCIAL ASSETS

This item totalled Euro 2,961 thousand (Euro 6,773 thousand at 31 December 2017) and the breakdown was as follows:

	(€'000)		
<b>FINANCIAL ASSETS</b>	<b>31/12/18</b>	<b>31/12/17</b>	<b>Change</b>
Current financing to controlling shareholder	-	700	(700)
Current financing to the Group	2,961	6,073	(3,112)
<b>Total</b>	<b>2,961</b>	<b>6,773</b>	<b>(3,812)</b>

This item includes financing activities with a number of subsidiaries. These transactions are settled at arm's length and include:

- a Euro 2,208 thousand loan granted to the subsidiary Fiera Milano Media SpA. The interest rate applied is 1.50%;
- a Euro 753 thousand loan granted to the subsidiary La Fabbrica del Libro SpA. The interest rate applied is 1.50%.

The change in the item "Financial receivables from the controlling entity" is due to the existing correspondent current account with Fondazione Fiera Milano, which for the year under review recorded a debit balance and is recognised among other financial liabilities.

The entire item refers to related-party transactions (Euro 6,773 thousand at 31 December 2017). Note 42 provides further details on such transactions.

## 11) CASH AND CASH EQUIVALENTS

This item totalled Euro 16,986 thousand (Euro 7,691 thousand at 31 December 2017) and referred almost entirely to short-term bank deposits.

	(€'000)		
<b>CASH AND CASH EQUIVALENTS</b>	<b>31/12/18</b>	<b>31/12/17</b>	<b>Change</b>
Bank and postal accounts	16,956	7,668	9,288
Cheques	18	14	4
Cash and cash equivalents	12	9	3
<b>Total</b>	<b>16,986</b>	<b>7,691</b>	<b>9,295</b>

Note that the contribution from the merger of Ipack-Ima SpA totalled Euro 25 thousand.

The cash flows, with comparative data at 31 December 2017, are shown in the Statement of Cash Flows.

## EQUITY AND LIABILITIES

## 12) EQUITY

The breakdown of equity was as follows:

EQUITY	(€'000)		
	31/12/18	31/12/17	Change
Share capital	41,645	41,645	-
<i>of which treasury shares</i>	<i>(800)</i>	<i>(800)</i>	-
Share premium reserve	7,680	10,299	(2,619)
<i>of which treasury shares</i>	<i>(3,204)</i>	<i>(3,204)</i>	-
Other reserves	9,338	8,489	849
Retained profits/(losses)	53	2	51
Profit/(loss) for the year	16,561	(864)	17,425
<b>Equity</b>	<b>75,277</b>	<b>59,571</b>	<b>15,706</b>

The amounts and changes in the items compared to 31 December 2017 were as follows:

## Share capital

At 31 December 2018, the share capital was Euro 41,645 thousand (Euro 41,645 thousand at 31 December 2017), net of Euro 800 thousand for 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 outstanding is shown in the following table:

	Number of shares at 31 December 2017	Capital increase	Purchase	Extraordinary transactions effects	Sale	Number of shares at 31 December 2018
Ordinary shares in issue	71,917,829	-	-	-	-	71,917,829
Treasury shares	920,768	-	-	18,250	-	939,018
Total shares outstanding	70,997,061	-	-	-	-	70,978,811

Treasury shares increased as a result of the merger of Ipack-Ima SpA, which held 18,250 treasury shares previously assigned free of charge by Fiera Milano SpA.

In accordance with IAS/IFRS, the nominal value of treasury shares acquired in previous years was recorded as a direct decrease in share capital whilst the difference between the purchase value and nominal value of treasury shares directly reduced the share premium reserve.

The Company's 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 representing 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 2018, this gave an implicit nominal value of Euro 0.59 per share.

### Share premium reserve

The share premium reserve was Euro 7,680 thousand (Euro 10,299 thousand at 31 December 2017) net of the Euro 3,204 thousand reserves for treasury shares.

Changes in the period under review were as follows:

- a decrease of Euro 864 thousand attributed to the approval by the Shareholders' Meeting of 23 April 2018 to use the share premium reserve to cover the previous year's loss;
- a decrease of Euro 56 thousand in deferred tax assets for the deductible portion of accessory costs for the share capital increase in 2015, which in application of IAS 32 were recorded as a direct decrease in equity, net of the related tax effect;
- a decrease of Euro 1,699 thousand relating to recognition of the deficit from the merger of Ipack-Ima SpA. Note that the parent-subsidiary merger is a business combination under common control excluded from the scope of application of IFRS 3 - Business Combinations. In the absence of a standard that deals specifically with this type of transaction, adoption of the most suitable treatment was based on the general aims of IAS/IFRS, i.e. providing a reliable and truthful representation of the transaction and applying the principle of substance over form. Also in view of the provisions of OPI 2 (Assirevi Preliminary Guidance on IFRS), relating to the "Accounting treatment of mergers in financial statements", the accounting standard selected for this transaction was driven by prudence, which led to application of the principle of value continuity. This principle led to recognition in the incorporating entity's financial statements of assets and liabilities subject to aggregation on the basis of carrying amounts stated in the consolidated financial statements of the incorporating entity at 1 January 2018 (the date of retrospective accounting effects of the merger), whilst the unallocated netting difference of Euro 1,699 thousand reduced the post-merger equity of the incorporating entity.

### Other reserves

This item totalled Euro 9,338 thousand (Euro 8,489 thousand at 31 December 2017) and the breakdown was as follows:

- Euro 8,489 thousand (Euro 8,489 thousand at 31 December 2017) for the legal reserve;
- Euro 849 thousand (zero at 31 December 2017) from the stock grant reserve in relation to the estimated cost of the Performance Shares Plan included in the 2018-2019 management incentives plan.

### Retained profits/losses

The retained profits were Euro 53 thousand (Euro 2 thousand at 31 December 2017). The increase of Euro 51 thousand is attributable to the remeasurement of defined benefit plans, net of tax effects.

### Profit/loss for the year

At 31 December 2018 the profit for the year was Euro 16,561 thousand. A net loss of Euro 864 thousand was recorded in the previous 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	Balance	Possible uses	Amount available	(€'000)	
				to cover losses	for other reasons
<b>Share capital</b>	41,645				
<i>of which treasury shares</i>	800				
<b>Capital reserves:</b>					
Share-premium reserve	7,680	A.B.C	7,680	47,346	
Other reserves	8,489	B	-	-	
Other reserves (reserves for stock grant)	849	-	-	-	
<b>Reserves for earnings:</b>					
Other reserves	-	-	-	-	
Retained earnings	53	-	-	-	
Profit (loss) for the year	16,561	-	-	-	
<b>Total</b>	<b>75,277</b>		<b>7,680</b>	<b>47,346</b>	
Amount unavailable for distribution			-		
(share-premium reserve)					
Remainder available for distribution			<b>7,680</b>		

#### Key

- A: for capital increase
- B: to cover losses
- C: for distribution to shareholders

## LIABILITIES

### NON-CURRENT LIABILITIES

#### 13) BANK BORROWINGS

This item was zero (Euro 3,503 thousand at 31 December 2017).

The change compared to the previous year reflected the repayment of the non-current portion of the following loans:

- a Euro 3,000 thousand loan given by Cassa di Risparmio di Parma e Piacenza SpA on 27 May 2016, repayable in quarterly instalments in arrears from 27 August 2016 until 27 May 2019 with interest at the 3-month Euribor plus a spread of 1.50%;
- a Euro 6,000 thousand loan given by Banco BPM SpA on 4 October 2017, repayable in quarterly instalments in arrears from 31 December 2017 until 31 December 2019 with interest at the 3-month Euribor rate plus a spread of 1.50%.

For the loan granted on 27 May 2016, a number of commercial covenants were agreed. For the duration of the loan, the Company will channel receivables and payables for a specific amount through current accounts opened with Cassa di Risparmio di Parma e Piacenza SpA. At 31 December 2018, these covenants had been met.

#### 14) PROVISIONS FOR RISKS AND CHARGES

PROVISIONS FOR RISKS AND CHARGES	(€'000)			
	31/12/17	Provisions	Utilisation	31/12/18
Other provisions for risks and charges	529	-	121	408
<b>Total</b>	<b>529</b>	<b>-</b>	<b>121</b>	<b>408</b>

This item totalled Euro 408 thousand (Euro 529 thousand at 31 December 2017) and referred to provisions for other risks of outlay on legal disputes with suppliers, calculated on the basis of their presumed outcome, through internal assessments and with support from external legal advisors.

#### 15) EMPLOYEE BENEFIT PROVISIONS

This item totalled Euro 4,847 thousand (Euro 4,967 thousand at 31 December 2017).

Employee benefit provisions, calculated using actuarial methods, were for employee severance indemnities that had accrued at 31 December 2006 and with breakdown as follows:

EMPLOYEE BENEFIT PROVISIONS	(€'000)				
	31/12/17	Actuarial evaluation	Indemnities and advances paid	Other movements	31/12/18
Defined benefit plans	4,967	5	394	269	4,847
<b>Total</b>	<b>4,967</b>	<b>5</b>	<b>394</b>	<b>269</b>	<b>4,847</b>

**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	(66)
<b>Total</b>	<b>5</b>

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**

	31/12/18	31/12/17
Technical discount rate	1.55%	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 10 years.

The following table gives a sensitivity analysis for the liability for defined benefit plans as changes arise in the main assumptions used.

(Euro '000)

<b>ECONOMIC AND FINANCIAL ASSUMPTIONS</b>	<b>Range</b>	<b>Base figure (excluding the CEO's termination benefit)</b>	<b>Increase in assumptions</b>	<b>Decrease in assumptions</b>
Annual technical discount rate	+/- 0.5%	4,847	4,665	5,040
Annual rate of increase in total employees salary	+/- 0.5%	4,847	4,847	4,847
<b>ECONOMIC AND FINANCIAL ASSUMPTIONS</b>				
Life expectancy	+/- 1 year	4,847	4,871	4,822

## 16) DEFERRED TAX LIABILITIES

This item totalled Euro 3,100 thousand (zero at 31 December 2017) and is the net balance 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 liabilities

## 17) BANK BORROWINGS

This item totalled Euro 3,514 thousand (Euro 16,605 thousand at 31 December 2017) and the breakdown was as follows:

	(€'000)		
<b>BANK BORROWINGS</b>	<b>31/12/18</b>	<b>31/12/17</b>	<b>Change</b>
Bank overdrafts	11	42	(31)
Current financing	3,503	16,563	(13,060)
<b>Total</b>	<b>3,514</b>	<b>16,605</b>	<b>(13,091)</b>

Bank borrowings were:

- Euro 11 thousand (Euro 42 thousand at 31 December 2017) of interest accrued on short-term credit lines arranged during the year under review to meet cash requirements.

Credit lines with covenants 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 commercial cash inflows in the form of payments, bank transfers, POS payments and notice payment forms (MAV) for an amount equal to the nominal amount of the credit line. At 31 December 2018, this credit line had not been used;

- Euro 3,503 thousand (Euro 3,952 thousand at 31 December 2017) as the current portion of the bank loans described in Note 13;

The change compared to the previous year mainly reflected the repayment of the current portion (Euro 12,611 thousand at 31 December 2017) of the following loans:

- a Euro 20,000 thousand loan given by Banca Popolare di Milano SpA on 6 December 2013, repayable in six-monthly instalments in arrears from 30 June 2014 until 30 June 2018 with interest at the 3-month Euribor rate plus a spread of 2%;
- a Euro 10,000 thousand loan given by Banca Popolare di Bergamo SpA on 23 May 2016, repayable in quarterly instalments in arrears from 23 August 2016 until 23 May 2018 with interest at the 3-month Euribor rate plus a spread of 1.85%;
- a Euro 15,000 thousand loan given by Banca Popolare di Lodi on 25 May 2016, repayable in quarterly instalments in arrears from 30 June 2016 until 30 June 2018 with interest at the 3-month Euribor plus a spread of 1.50%;
- a Euro 5,000 thousand loan given by Banca Popolare di Lodi on 22 June 2016, repayable in quarterly instalments in arrears from 30 June 2016 until 30 June 2018 with interest at the 3-month Euribor plus a spread of 1.50%;
- a Euro 5,000 thousand loan given by Banca Nazionale del Lavoro on 22 December 2016, repayable in monthly instalments in arrears from 22 January 2017 until 22 December 2018 with interest at the 1-month Euribor rate plus a spread of 1.50%.

Bank borrowings are subject to floating rate interest.

### 18) TRADE PAYABLES

This item totalled Euro 19,857 thousand (Euro 27,894 thousand at 31 December 2017). Trade payables were mainly to Italian suppliers, most of which for the purchase of services required to mount the exhibitions that is the core business of the Company. The change is mainly associated with the lower volume of transactions with suppliers due to activities being reduced by the different exhibitions calendar.

Note that the contribution from the merger of Ipack-Ima SpA totalled Euro 6 thousand.

### 19) ADVANCES

This item totalled Euro 41,743 thousand (Euro 38,880 thousand at 31 December 2017) and represent advances invoiced to customers for events to be held in the next 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 year can be explained by the biennial and multi-annual frequency of some exhibitions.



	(€'000)		
<b>ADVANCES</b>	<b>31/12/18</b>	<b>31/12/17</b>	<b>Change</b>
HOMI I semester	10,466	10,305	161
Host	6,460	2,857	3,603
Micam Spring	3,875	1,030	2,845
Tuttofood	3,442	344	3,098
Mido	3,103	2,157	946
Salone del mobile/Complemento d'arredo	2,046	1,967	79
Transpotec & Logitec	1,731	-	1,731
Lineapelle I semester	1,503	1,204	299
Milano Unica Spring	1,134	616	518
Sicurezza	893	-	893
Mostra Convegno Expocomfort	886	7,709	(6,823)
Promotion Trade Exhibition	820	863	(43)
Simac Tanning-Tech	709	677	32
Made Expo	653	-	653
The One Milano	636	657	(21)
Bit	571	693	(122)
Euroluce	469	-	469
Lamiera	379	-	379
Sposaitalia	371	164	207
Myplant & Garden	291	233	58
Simei	279	-	279
Versilia Yachting Rendez-Vous	237	100	137
Mipel Spring	202	219	(17)
Packaging Première	170	-	170
Made in Steel	128	-	128
Miart	115	96	19
Ipack-Ima	-	1,566	(1,566)
Plast	-	1,547	(1,547)
Expodetergo	-	955	(955)
Bimu	-	648	(648)
Eurocucina	-	496	(496)
Print4all	-	458	(458)
Salone Internazionale del Bagno	-	284	(284)
Venditalia	-	252	(252)
Xylexpo	-	202	(202)
Meat Tech	-	187	(187)
Biomass Innovation Expo	-	146	(146)
Other	174	248	(74)
<b>Total</b>	<b>41,743</b>	<b>38,880</b>	<b>2,863</b>

This item included Euro 29 thousand (Euro 1,817 thousand at 31 December 2017) for related-party transactions. Note 42 provides further details on such transactions.

## 20) OTHER FINANCIAL LIABILITIES

This item totalled Euro 5,969 thousand (Euro 2,676 thousand at 31 December 2017) and the breakdown was as follows:

	(€'000)		
<b>OTHER FINANCIAL LIABILITIES</b>	<b>31/12/18</b>	<b>31/12/17</b>	<b>Change</b>
Financial payables to the controlling shareholder	678	-	678
Financial payables to the subsidiaries	5,291	2,676	2,615
<b>Total</b>	<b>5,969</b>	<b>2,676</b>	<b>3,293</b>

The item "Financial payables to the controlling shareholder" refers to the balance in the correspondent current account held with Fondazione Fiera Milano. The fixed rate equal to the 1-month Euribor plus a spread of 1.50% was changed on 1 April 2018 to the 1-month Euribor plus a spread of 0.75%.

The item "Financial payables to the subsidiaries" refers to the balance in the correspondent current account held with the following subsidiaries:

- Fiera Milano Congressi SpA for Euro 4,231 thousand;
- Fiera Milano Media SpA for Euro 1,030 thousand;
- Nolostand SpA for Euro 30 thousand.

These current accounts originate from the cash pooling contracts signed on 22 November 2018, effective from 10 December 2018, and show daily balances subject to offsetting among the companies. The 3-month Euribor rate is applied (with zero floor) plus a spread updated quarterly to the market value.

The entire item refers to related-party transactions (Euro 2,676 thousand at 31 December 2017). Note 42 provides further details on such transactions.

## 21) PROVISIONS FOR RISKS AND CHARGES

	(€'000)			
<b>PROVISIONS FOR RISKS AND CHARGES</b>	<b>31/12/17</b>	<b>Provisions</b>	<b>Utilisation</b>	<b>31/12/18</b>
"Palazzo Italia" Berlin project	1,415	-	1,218	197
Other provisions for risks and charges	3,601	3,774	3,583	3,792
<b>Total</b>	<b>5,016</b>	<b>3,774</b>	<b>4,801</b>	<b>3,989</b>

This item totalled Euro 3,989 thousand (Euro 5,016 thousand at 31 December 2017), with breakdown as follows:

- Euro 197 thousand (Euro 1,415 thousand at 31 December 2017) for the residual provision referring to charges associated with termination of the lease on "Palazzo Italia" in Berlin, which expired in September 2018;
- Euro 3,792 thousand (Euro 3,601 thousand at 31 December 2017) for risks relating to the estimated probable liabilities associated mainly with the corporate reorganisation.

## 22) TAX LIABILITIES

This item totalled Euro 1,313 thousand (Euro 1,282 thousand at 31 December 2017).

	(€'000)		
<b>TAX LIABILITIES</b>	<b>31/12/18</b>	<b>31/12/17</b>	<b>Change</b>
Income tax payable in the financial year	136	284	(148)
Income tax (IRPEF) payable for employees	1,084	895	189
Income tax (IRPEF) payable for temporary employees and project workers	71	82	(11)
Other tax liabilities	22	21	1
<b>Total</b>	<b>1,313</b>	<b>1,282</b>	<b>31</b>

## 23) OTHER LIABILITIES

This item totalled Euro 33,081 thousand (Euro 33,918 thousand at 31 December 2017).

	(€'000)		
<b>OTHER LIABILITIES</b>	<b>31/12/18</b>	<b>31/12/17</b>	<b>Change</b>
Trade payables to subsidiaries	13,245	13,633	(388)
Trade payables to Joint Venture	174	24	150
Other payables to the controlling shareholder	201	299	(98)
Payables to controlling shareholder for tax consolidation	297	518	(221)
Payables to subsidiaries for tax consolidation	134	134	-
Payables to the controlling shareholder for Group VAT	1,794	-	1,794
Payables to pension and social security entities	1,576	1,642	(66)
Payables to directors and statutory auditors	28	17	11
Payables to employees	7,334	7,155	179
Payables to exhibition organisers and others	8,082	9,836	(1,754)
Payables to subsidiaries' exhibition organisers	-	15	(15)
Payables to exhibition organisers in Joint Venture	-	468	(468)
Deferred income	152	177	(25)
Deferred income to associates	64	-	64
<b>Total</b>	<b>33,081</b>	<b>33,918</b>	<b>(837)</b>

Other liabilities included Euro 15,909 thousand (Euro 15,091 thousand at 31 December 2017) for related-party transactions. Note 42 provides further details on such transactions.

## 24) FINANCIAL ASSETS AND LIABILITIES

At 31 December 2018, the Company had net resources of Euro 10,464 thousand (Euro 8,320 thousand indebtedness at 31 December 2017) as shown in the following table. Where applicable, each item indicates the portion referring to related parties.

<b>NET FINANCIAL POSITION</b> (€'000)	<b>31/12/18</b>	<b>31/12/17</b>	<b>Change</b>
A. Cash (including bank balances)	16,986	7,691	9,295
B. Other cash equivalents	-	-	-
C. Securities held for trading	-	-	-
<b>D. Cash and cash equivalents (A+B+C)</b>	<b>16,986</b>	<b>7,691</b>	<b>9,295</b>
<b>E. Current financial assets</b>	<b>2,961</b>	<b>6,773</b>	<b>(3,812)</b>
- E.1 of which current financial receivables from the controlling shareholder	-	700	(700)
- E.2 of which current financial receivables from the subsidiaries and joint ventures	2,961	6,073	(3,112)
F. Current bank borrowings	11	42	(31)
G. Current portion of non-current debt	3,503	16,563	(13,060)
H. Other current financial liabilities	5,969	2,676	3,293
- H.1 of which current financial payables to the controlling shareholder	678	-	678
- H.2 of which current financial payables to the subsidiaries	5,291	2,676	2,615
<b>I. Current financial debt (F+G+H)</b>	<b>9,483</b>	<b>19,281</b>	<b>(9,798)</b>
<b>J. Net current financial debt (cash) (I-E-D)</b>	<b>(10,464)</b>	<b>4,817</b>	<b>(15,281)</b>
K. Non-current bank borrowings	-	3,503	(3,503)
L. Debt securities in issue	-	-	-
M. Other non-current liabilities	-	-	-
<b>N. Non-current net financial debt (K+L+M)</b>	<b>-</b>	<b>3,503</b>	<b>(3,503)</b>
<b>Net financial debt (cash) from continuing operations (J+N)</b>	<b>(10,464)</b>	<b>8,320</b>	<b>(18,784)</b>
<b>Net financial debt (cash) from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>O. Net financial debt (cash)</b>	<b>(10,464)</b>	<b>8,320</b>	<b>(18,784)</b>

The improvement of Euro 18,784 thousand in the net financial position was due to the generation of operating cash flows.

Additional information on the financial instruments of the Company is given below to enable a better assessment of:

- a) the importance of the financial instruments to the Statement of Financial Position and Income Statement;
- b) the extent and type of risks deriving from the financial instruments to which the Company was exposed during the current and previous financial years 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 2018 are shown in the following table:

<b>RISK CLASS</b> (€'000)	<b>Notes</b>	<b>Balance at 31/12/18</b>	<b>Balance at 31/12/17</b>	<b>Liquidity risk</b>	<b>Interest rate risk</b>	<b>Credit risk</b>
<b>NON-CURRENT ASSETS</b>						
1) Trade and other receivables	6	11,424	11,680			<b>X</b>
<b>CURRENT ASSETS</b>						
2) Trade and other receivables	8	31,071	31,616			<b>X</b>
3) Current financial assets	10	2,961	6,773	<b>X</b>		<b>X</b>
4) Cash and cash equivalents	11	16,986	7,691			
<b>NON-CURRENT LIABILITIES</b>						
5) Bank borrowings	13	-	3,503	<b>X</b>	<b>X</b>	
<b>CURRENT LIABILITIES</b>						
6) Bank borrowings	17	3,514	16,605	<b>X</b>	<b>X</b>	
7) Trade payables	18	19,857	27,894	<b>X</b>		
8) Other financial liabilities	20	5,969	2,676	<b>X</b>	<b>X</b>	
9) Other current liabilities	23	33,081	33,918	<b>X</b>		

### Significance of financial instruments

Financial instruments and their relative significance, as regards the Statement of Financial Position and Income Statement at 31 December 2017 and 31 December 2018, are shown in the following tables:

FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE ACCOUNTS (€'000)		Notes	FY 31/12/17	Assets measured at fair value through profit & loss (FVPTL)	Liabilities measured at amortised cost (HTC)	Assets measured at fair value through OCI reserve (FVOCI)	Assets measured at amortised cost (HTC)	Fair value	Impact on Income Statement
<b>NON-CURRENT ASSETS</b>									
1)	Trade and other receivables	6	11,680	-	-	-	11,680	11,680	12
<b>CURRENT ASSETS</b>									
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
<b>NON-CURRENT LIABILITIES</b>									
5)	Bank borrowings	13	3,503	-	3,503	-	-	3,503	(479)
<b>CURRENT LIABILITIES</b>									
6)	Bank borrowings	17	16,605	-	16,605	-	-	16,605	(81)
7)	Trade payables	18	27,894	-	27,894	-	-	27,894	-
8)	Other financial liabilities	20	2,676	-	2,676	-	-	2,676	(204)
9)	Other current liabilities	23	33,918	-	33,266	-	-	33,918	-
<b>FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE ACCOUNTS (€'000)</b>									
		Notes	FY 31/12/18	Assets measured at fair value through profit & loss (FVPTL)	Liabilities measured at amortised cost (HTC)	Assets measured at fair value through OCI reserve (FVOCI)	Assets measured at amortised cost (HTC)	Fair value	Impact on Income Statement
<b>NON-CURRENT ASSETS</b>									
1)	Trade and other receivables	6	11,424	-	-	-	11,424	11,424	35
<b>CURRENT ASSETS</b>									
2)	Trade and other receivables	8	31,071	-	-	-	31,071	31,071	(240)
3)	Current financial assets	10	2,961	-	-	-	2,961	2,961	59
4)	Cash and cash equivalents	11	16,986	-	-	-	16,986	16,986	77
<b>NON-CURRENT LIABILITIES</b>									
5)	Bank borrowings	13	-	-	-	-	-	-	(163)
<b>CURRENT LIABILITIES</b>									
6)	Bank borrowings	17	3,514	-	3,514	-	-	3,514	(24)
7)	Trade payables	18	19,857	-	19,857	-	-	19,857	-
8)	Other financial liabilities	20	5,969	-	5,969	-	-	5,969	(12)
9)	Other current liabilities	23	33,081	-	32,650	-	-	33,081	-

As shown in the above tables, the carrying amount 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 were not subject to significant contingent charges. The financial instruments are classifiable under Level 3 of the fair value hierarchy of IFRS 13.

Changes in liabilities due to financing activities are shown in the following table:

CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES	(Euro '000)			
	Changes in financial flows			31/12/18
	31/12/17	Increase	Decrease	
Non-current bank loans	3,503	1,282	4,785	-
<b>Total change in non-current financial payables</b>	<b>3,503</b>	<b>1,282</b>	<b>4,785</b>	<b>-</b>
Credit lines	42	11	42	11
Bank loans	16,563	901	13,961	3,503
Current financial debt with the controlling shareholder	-	53,169	52,491	678
Current financial debt with the subsidiaries	2,676	5,333	2,718	5,291
<b>Total change in current financial payables</b>	<b>19,281</b>	<b>59,414</b>	<b>69,212</b>	<b>9,483</b>
<b>Total liabilities from financing activities</b>	<b>22,784</b>	<b>60,696</b>	<b>73,997</b>	<b>9,483</b>

## 25) FINANCIAL AND MARKET RISK MANAGEMENT

The main financial instruments of the Fiera Milano SpA are bank borrowings, short-term demand deposits and current financial payables from the controlling entity 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 collection and based on the contractual agreements, Fiera Milano SpA retrocedes to the organiser what is its due and keeps the payment for the spaces rented at the exhibition sites and for the services provided. Suppliers of goods and services are instead paid under payment terms adopted as common practice. This system allows the Company to collect its payments in advance, generating negative working capital which, in turn, leads to a cash surplus.

The Company is exposed to the following main types of risk.

### 25.1 Credit risk

Credit risk is represented by Fiera Milano SpA's exposure to potential losses from the non-fulfilment of obligations undertaken by counterparties. Credit risk is adequately monitored, also in relation to the cash management cycle 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 very high. The current system means that all amounts collected from exhibitors flow into Fiera Milano SpA accounts, which then pays the amounts due to its customers/organisers.

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 its two sites. Provisions for doubtful receivables in this class are minimal in comparison to the collection volumes and refer mainly to 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.). For these receivables, collection is based on normal invoice payment conditions.

Specific guarantees can be used as a further means of mitigating credit risk.

The categories of credit risk at 31 December 2017 and at 31 December 2018 and the breakdown of past due amounts are shown in the following tables:

Class	FY 31/12/17 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
<b>Total</b>	<b>24,576</b>	<b>15,195</b>	<b>13,777</b>	<b>6,606</b>	<b>381</b>	<b>935</b>	<b>5,855</b>	<b>4,396</b>

Class	FY 31/12/18 Receivables	Due	Overdue	Breakdown of late payments (days)				Provision
				0-90	91-180	181-270	>270	
Organisers	7,294	6,625	2,241	629	-	-	1,612	1,572
Exhibitors	11,551	10,450	2,108	877	105	107	1,019	1,007
Other	8,135	6,875	2,263	926	70	53	1,214	1,003
<b>Total</b>	<b>26,980</b>	<b>23,950</b>	<b>6,612</b>	<b>2,432</b>	<b>175</b>	<b>160</b>	<b>3,845</b>	<b>3,582</b>

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 at 31 December 2017 and 31 December 2018 by risk category are shown in the following tables:

Class	FY 31/12/16 Provision	Provisions	Utilisation	FY 31/12/17 Provision
Organisers	1,972	128	405	1,695
Exhibitors	2,110	485	1,181	1,414
Other	1,717	21	451	1,287
<b>Total</b>	<b>5,799</b>	<b>634</b>	<b>2,037</b>	<b>4,396</b>

Class	FY 31/12/17 Provision	Provisions	Utilisation	FY 31/12/18 Provision
Organisers	1,695	85	208	1,572
Exhibitors	1,414	16	423	1,007
Other	1,287	145	429	1,003
<b>Total</b>	<b>4,396</b>	<b>246</b>	<b>1,060</b>	<b>3,582</b>



## 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 seasonal and cyclic nature of the exhibition business could affect its financial results and its ability to generate cash flows.

In this respect, note the performance of the net financial position which at 31 December 2018 recorded funds of Euro 10,464 thousand, a clear improvement on 31 December 2017, consistent with the positive operating performance.

The aim of the Company's risk management, also in the presence of financial debt, is to guarantee an adequate level of liquidity, minimising the related costs and maintaining a balance between the duration and composition of debt.

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 funds available in the current account held with the controlling entity Fondazione Fiera Milano.

Maintaining financial equilibrium is also dependent on attaining the targets of the Business Plan, as well as on the performance of the economy, an understanding of which necessitates an assessment of the outcome of future events or circumstances that by their very nature are uncertain.

The tables below give the breakdown of financial liabilities by maturity and an estimate of related interest expense due to maturity at 31 December 2017 and 31 December 2018.

<b>FINANCIAL LIABILITIES</b> (€ '000)	<b>FY at</b> <b>31/12/17</b>	<b>3 mths</b>	<b>6 mths</b>	<b>12 mths</b>	<b>18 mths</b>	<b>24 mths</b>	<b>3 years</b>	<b>5 years</b>	<b>&gt;5 years</b>
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							
<b>Total</b>	<b>50,678</b>	<b>33,574</b>	<b>10,526</b>	<b>3,265</b>	<b>2,020</b>	<b>1,514</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>FINANCIAL LIABILITIES</b> (€ '000)	<b>FY at</b> <b>31/12/18</b>	<b>3 mths</b>	<b>6 mths</b>	<b>12 mths</b>	<b>18 mths</b>	<b>24 mths</b>	<b>3 years</b>	<b>5 years</b>	<b>&gt;5 years</b>
Current bank payables	3,514	1,009	1,000	1,505					
Current interest payable		13	9	9					
Other current financial liabilities	5,969	5,969							
Current interest payable		11							
Non-current bank borrowings									
Non-current interest payable									
Trade payables	19,857	19,857							
<b>Total</b>	<b>29,340</b>	<b>26,859</b>	<b>1,009</b>	<b>1,514</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 25.3 Market risk

The Company 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 therefore also able to manage interest rate fluctuations. Moreover, the Company constantly monitors market conditions so as to intervene promptly should conditions change.

Notes 13 and 17 give the breakdown of non-current and current bank borrowings.

The tables below give interest rate sensitivity analyses that show the effects that a +/-0.5% change in interest rates would have had on equity and on the income statement for 2017 and 2018.

(€'000)	Balance at 31/12/17	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

(€'000)	Balance at 31/12/18	Balance * (debt)	Income (expense)	Rate	0.5%	-0.5%
Current accounts	16,956	16,532	77	0.47%	160	(6)
Current financial receivables from subsidiaries and joint venture	2,961	3,949	59	1.50%	79	39
Current account with the controlling shareholder	(678)	(826)	(10)	1.27%	(15)	(6)
Current account with the subsidiaries	(5,291)	(195)	(1)	0.75%	(2)	-
Current financial liabilities	(11)	(6,318)	(24)	0.38%	(56)	8
Current and non-current bank borrowings	(3,503)	(10,930)	(163)	1.49%	(218)	(109)

\* average for the financial year

#### b) Exchange rate risk

This risk is insignificant as in the year ending 31 December 2018 the Company's business was primarily in the domestic market and no loans were obtained in foreign currencies.

#### c) Risk of changes in raw material prices

Fiera Milano SpA has limited exposure to the risk of changes in raw material prices. The Company normally has more than one supplier for any material considered critical and in some cases has long-term contracts that ensure lower price volatility.

## 26) DISCLOSURE ON GUARANTEES GIVEN, UNDERTAKINGS AND OTHER POTENTIAL LIABILITIES

### Guarantees given

This item totalled Euro 1,424 thousand (Euro 2,875 thousand at 31 December 2017) and the breakdown was as follows:

- Euro 924 thousand 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 500 thousand for the guarantee given to Veronafiore SpA for obligations undertaken to organise the 2019 edition of the "Transpotec & Logitec" exhibition;

### Potential liabilities

There are several pending legal disputes, for which the legal consultant has estimated a potential liability of Euro 150 thousand.

## INCOME STATEMENT

### REVENUES

#### 27) REVENUES FROM SALES AND SERVICES

This item totalled Euro 196,384 thousand (Euro 204,714 thousand at 31 December 2017).

The breakdown by revenue type was as follows:

	(€'000)		
<b>REVENUES FROM SALES AND SERVICES</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Facility fee for use of exhibition area	91,153	67,918	23,235
Rentals of stands, fittings, and equipment	36,278	28,939	7,339
Fees exhibitors area	33,745	75,157	(41,412)
Catering and canteen services	8,115	6,510	1,605
Exhibition site services	7,980	6,434	1,546
Advertising space and services	5,230	4,397	833
Supplementary exhibition services	3,241	3,115	126
Miscellaneous fees and royalties	3,168	3,868	(700)
Access surveillance and customer care services	2,560	1,952	608
Facility fees for use of conference centre	1,048	1,384	(336)
Telephone and internet services	930	1,149	(219)
Administrative services	900	654	246
Exhibition insurance services	873	658	215
Ticket sales	761	1,161	(400)
Revenues from publishing products	72	994	(922)
Services from event organisation	15	243	(228)
Other	315	181	134
<b>Total</b>	<b>196,384</b>	<b>204,714</b>	<b>(8,330)</b>

The decrease in revenues was mainly due to the less favourable exhibition calendar which last year had included the directly organised biennial exhibitions Host, Tuttofood, and Sicurezza, and the hosted Made Expo. This impact was partly offset by the presence in the current year of the important European event dedicated to solutions for the manufacturing industry, "The Innovation Alliance", which combines five multi-annual exhibitions i.e. Plast, Ipack-Ima, Meat-Tech, Print4All and Intralogistica Italia. The good performance of multi-annual exhibitions also contributed to revenues.

The greater impact of exhibitions hosted in 2018 compared to those organised directly explains the increase in the item "Facility fee for use of exhibition area" and the decrease in "Fees exhibitors area" compared to 2017.

The item included Euro 10,867 thousand (Euro 5,897 thousand at 31 December 2017) for related-party transactions. Note 42 provides further details on such transactions.

The business of the Company is almost exclusively concentrated in the domestic market.

## OPERATING COSTS

### 28) COSTS OF MATERIALS

This item totalled Euro 326 thousand (Euro 871 thousand at 31 December 2017).

The breakdown by cost type was as follows:

COST OF MATERIALS	(€'000)		
	2018	2017	Change
Printed materials, forms and stationery	289	632	(343)
Subsidiary materials and consumables	38	249	(211)
Use of provisions	(1)	(10)	9
<b>Total</b>	<b>326</b>	<b>871</b>	<b>(545)</b>

The change refers mainly to the different business volume due to the cyclic nature of the exhibitions calendar.

This item included Euro 7 thousand (Euro 120 thousand at 31 December 2017) for related-party transactions. Note 42 provides further details on such transactions.

## 29) COSTS OF SERVICES

This item totalled Euro 94,324 thousand (Euro 105,554 thousand at 31 December 2017).

The breakdown by cost type was as follows:

COST OF SERVICES	(€'000)		
	2018	2017	Change
Stands and equipment for exhibitions	36,715	35,757	958
Energy costs	8,290	8,100	190
Cost of marketing projects for exhibitions	6,273	10,256	(3,983)
Security and gate services	5,154	4,933	221
Cleaning and waste disposal	5,141	5,164	(23)
Maintenance	5,050	5,085	(35)
IT services	4,043	4,169	(126)
Technical, legal, commercial and administrative advice	3,291	6,963	(3,672)
Other professional and collaborative services	2,867	3,742	(875)
Catering	2,739	3,022	(283)
Advertising	2,676	3,887	(1,211)
Telephone and internet expenses	1,634	1,709	(75)
Technical, legal, commercial and administrative services	1,315	2,169	(854)
Technical assistance and ancillary services	1,105	1,261	(156)
Insurance	947	868	79
Ticketing	864	490	374
Transport	514	707	(193)
Conference and congress services	307	82	225
Remuneration of statutory auditors	132	103	29
Change in suspended costs for future exhibitions	(569)	2,234	(2,803)
Other	6,105	6,389	(284)
Use of provisions	(269)	(1,536)	1,267
<b>Total</b>	<b>94,324</b>	<b>105,554</b>	<b>(11,230)</b>

Costs of services mainly included costs for managing the exhibition sites during the setting up, running and dismantling of exhibitions and congresses.

The decrease of Euro 11,230 thousand compared to 31 December 2017 is mainly due to the positive impact of lower costs following rationalisation measures undertaken in 2017. The decrease also benefits from the absence of costs relating to the review of business processes.

Note that the contribution from the merger of Ipack-Ima SpA totalled Euro 11 thousand.

This item included Euro 37,043 thousand (Euro 38,683 thousand at 31 December 2017) for related-party transactions. Note 42 provides further details on such transactions.

### 30) COSTS OF USE OF THIRD-PARTY ASSETS

This item totalled Euro 44,559 thousand (Euro 43,511 thousand at 31 December 2017) and the breakdown was as follows:

(€'000)			
COST OF USE OF THIRD-PARTY ASSETS	2018	2017	Change
Rent and expenses for exhibition sites	42,897	42,011	886
Other rental expenses	2,268	2,223	45
Vehicle hire	345	433	(88)
Office equipment and photocopier hire	14	18	(4)
Use of provisions	(965)	(1,174)	209
<b>Total</b>	<b>44,559</b>	<b>43,511</b>	<b>1,048</b>

The item rent and expenses for exhibition sites included the rent of Euro 42,732 thousand payable to the controlling entity. In the previous year, this rent included the remuneration recognised by Fondazione Fiera Milano for the occupancy of areas made available for Expo 2015. Other rental expenses included Euro 1,490 thousand under the lease agreement for the Palazzo Italia, which expired in September 2018.

The total lease payments for the Rho and Milan exhibition sites for each of the following periods are:

- 2019: Euro 43,154 thousand;
- 1-5 years: Euro 154,478 thousand;
- no payments are due beyond five years.

The item included Euro 42,921 thousand (Euro 42,132 thousand at 31 December 2017) for related-party transactions. Note 42 provides further details on such transactions.

### 31) PERSONNEL COSTS

This item totalled Euro 35,278 thousand (Euro 35,692 thousand at 31 December 2017) and the breakdown was as follows:

(€'000)			
PERSONNEL COSTS	2018	2017	Change
Salaries	23,367	24,537	(1,170)
Social Security payments	7,276	7,505	(229)
Redundancy incentives	2,401	1,485	916
Defined contribution plans charges	1,462	1,420	42
Seconded employees from subsidiaries	1,119	487	632
Directors' remuneration	768	886	(118)
Seconded employees from joint ventures	178	111	67
External and temporary employees	168	402	(234)
Defined benefit plans charges	6	6	-
Other expenses	1,534	644	890
Use of provisions	(3,001)	(1,791)	(1,210)
<b>Total</b>	<b>35,278</b>	<b>35,692</b>	<b>(414)</b>

Salaries, remuneration and related social security contributions decreased mainly for the variable portion of remuneration.

The item "Other expenses" includes Euro 849 thousand as costs relating to the "Medium-term Incentive Plan" approved by the Fiera Milano SpA Shareholders' Meeting of 23 April 2018. This plan is an incentive to management to achieve the Company's strategic objectives and align the interests of beneficiaries to those of shareholders. The Plan has a hybrid structure that envisages assignment to beneficiaries of 40% in cash and 60% as a certain number of ordinary shares on achieving specific predefined performance objectives for the period 2018-2019.

Note that the contribution from the merger of Ipack-Ima SpA totalled Euro 26 thousand.

This item included Euro 1,297 thousand (Euro 598 thousand at 31 December 2017) for related-party transactions. Note 42 provides further details on such transactions.

The breakdown of the average number of employees (including those on fixed-term contracts) was as follows:

<b>BREAKDOWN OF PERSONNEL BY CATEGORY</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Managers	24	24	-
Middle managers and white collar workers	419	410	9
<b>Total</b>	<b>443</b>	<b>434</b>	<b>9</b>

### 32) OTHER OPERATING EXPENSES

This item totalled Euro 3,521 thousand (Euro 4,991 thousand at 31 December 2017) and the breakdown was as follows:

	(€'000)		
<b>OTHER OPERATING EXPENSES</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Other tax expenses	2,841	3,172	(331)
Doubtful receivables covered by provisions	1,083	2,051	(968)
Association fees	370	348	22
Subscriptions	52	21	31
Other expenses	272	1,474	(1,202)
Use of provisions	(1,097)	(2,075)	978
<b>Total</b>	<b>3,521</b>	<b>4,991</b>	<b>(1,470)</b>

The decrease in "Other expenses" refers mainly to the amount paid in the previous year to the minority shareholder of Worldex Fiera Milano Exhibitions Co., Ltd to terminate the contractual relations deriving from governance agreements.

Note that the contribution from the merger of Ipack-Ima SpA totalled Euro 14 thousand.

This item included Euro 311 thousand (Euro 369 thousand at 31 December 2017) for related-party transactions. Note 42 provides further details on such transactions.

**33) OTHER INCOME**

This item totalled Euro 5,584 thousand (Euro 5,698 thousand at 31 December 2017) and the breakdown was as follows:

	(€'000)		
<b>OTHER INCOME</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Other recovered costs	2,009	2,347	(338)
Office rent and expenses	683	688	(5)
Recovery of expenses for seconded employees	640	914	(274)
Insurance indemnities	28	43	(15)
Other income	2,224	1,706	518
<b>Total</b>	<b>5,584</b>	<b>5,698</b>	<b>(114)</b>

The item included Euro 4,456 thousand (Euro 4,564 thousand at 31 December 2017) for related-party transactions. Note 42 provides further details on such transactions.

**34) PROVISIONS FOR DOUBTFUL RECEIVABLES AND OTHER PROVISIONS**

This item totalled Euro 3,453 thousand (Euro 4,901 thousand at 31 December 2017) and the breakdown was as follows:

	(€'000)		
<b>PROVISIONS FOR DOUBTFUL RECEIVABLES AND OTHER PROVISIONS</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Reorganisation of personnel	2,061	250	1,811
Disputes with personnel	1,587	4,708	(3,121)
Provisions for doubtful receivables	246	634	(388)
Other disputes	126	-	126
Palazzo Italia project	-	241	(241)
Write-back of provisions	(567)	(932)	365
<b>Total</b>	<b>3,453</b>	<b>4,901</b>	<b>(1,448)</b>

Notes 8, 14 and 21 to the Statement of Financial Position provide further details on changes in the provision for doubtful receivables and provisions for risks for the year.



### 35) DEPRECIATION AND AMORTISATION

#### Depreciation of property, plant and equipment

This item totalled Euro 1,094 thousand (Euro 1,136 thousand at 31 December 2017).

The item included Euro -20 thousand (Euro -25 thousand at 31 December 2017) for use of part of the risk provisions for obligations recorded under amortisation relating to the contract for the Palazzo Italia.

Details of depreciation are provided in the Explanatory Notes under the item Property, plant and equipment.

#### Amortisation of intangible assets

This item totalled Euro 1,321 thousand (Euro 1,815 thousand at 31 December 2017).

The decrease mainly refers to completion of the amortisation of certain asset groups.

Details of amortisation are given in the Explanatory Notes on the item Intangible assets with a finite useful life.

### 36) IMPAIRMENT LOSSES

This item was zero (Euro 1,534 thousand at 31 December 2017).

### 37) FINANCIAL INCOME AND SIMILAR

This item totalled Euro 6,122 thousand (Euro 2,681 thousand at 31 December 2017) and the breakdown was as follows:

	(€'000)		
FINANCIAL INCOME AND SIMILAR	2018	2017	Change
Dividends	5,934	2,254	3,680
Interest income on bank accounts	77	5	72
Interest income on financing to subsidiaries	50	134	(84)
Interest income from cautionary deposits for rent of the exhibition sites from the controlling shareholder	31	10	21
Interest income on financing to Joint Venture	9	37	(28)
Interest income on receivables from the controlling shareholder	4	2	2
Exchange rate gains	2	12	(10)
Other financial income	15	227	(212)
<b>Total</b>	<b>6,122</b>	<b>2,681</b>	<b>3,441</b>

The increase was mainly attributable to the higher dividends distributed by subsidiaries and joint ventures.

The item included Euro 6,028 thousand (Euro 2,437 thousand at 31 December 2017) for related-party transactions. Note 42 provides further details on such transactions.

**38) FINANCIAL EXPENSES AND SIMILAR**

This item totalled Euro 290 thousand (Euro 852 thousand at 31 December 2017) and the breakdown was as follows:

(€'000)			
<b>FINANCIAL EXPENSES AND SIMILAR</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Interest payable on bank accounts	203	572	(369)
Expenses from calculation of net present value of defined benefit plans	65	65	-
Interest payable on current account held with the controlling shareholder	10	157	(147)
Exchange rate losses	6	8	(2)
Interest payable on current account held with the subsidiaries	1	47	(46)
Other financial expenses	5	5	-
Use of provisions	-	(2)	2
<b>Total</b>	<b>290</b>	<b>852</b>	<b>(562)</b>

The change was mainly due to the decrease in financial expenses in relation to the reduction in average debt both in the short term and in the medium/long term.

The item included Euro 11 thousand (Euro 204 thousand at 31 December 2017) for related-party transactions. Note 42 provides further details on such transactions.

**39) VALUATION OF FINANCIAL ASSETS**

(€'000)			
<b>VALUATION OF FINANCIAL ASSETS</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
La Fabbrica del Libro SpA	(1,994)	(536)	(1,458)
Fiera Milano India Pvt Ltd	(2)	(18)	16
Fiera Milano Media SpA	-	(7,359)	7,359
Eurofairs International Consultoria e Participações Ltda	-	(1,567)	1,567
Fiera Milano Exhibitions Africa Pty Ltd	-	(297)	297
<b>Total</b>	<b>(1,996)</b>	<b>(9,777)</b>	<b>7,781</b>

This item totalled Euro -1,996 thousand (Euro -9,777 thousand at 31 December 2017). It refers mainly to impairment losses as commented in Note 5 of the Statement of Financial Position.

#### 40) INCOME TAX

Income taxes were Euro 5,365 thousand (Euro 3,322 thousand at 31 December 2017).

The breakdown was as follows:

INCOME TAX	(€'000)		
	2018	2017	Change
Current income tax	1,436	1,237	199
Deferred income tax	3,929	2,085	1,844
<b>Total</b>	<b>5,365</b>	<b>3,322</b>	<b>2,043</b>

The higher tax figure is mainly associated with the release of deferred tax assets for tax losses that were offset by the taxable income generated in the financial year as well as the increase in current taxes.

The breakdown of current taxes at 31 December 2018 was as follows:

CURRENT INCOME TAX	(€'000)		
	2018	2017	Change
Current income tax - IRAP	838	730	108
Income/expenses from tax consolidation	598	480	118
Other	-	27	(27)
<b>Total</b>	<b>1,436</b>	<b>1,237</b>	<b>199</b>

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 option is binding for the three years 2016, 2017 and 2018.

The tax consolidation charges reflect 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 for the year totalled Euro 3,929 thousand and represent the balance of deferred tax assets (Euro 3,935 thousand) and deferred tax liabilities (Euro -6 thousand).

The change in deferred tax assets was mainly due to the increased release of deferred tax assets recognised in previous financial years in conjunction with the tax losses used to offset taxable income generated in the year by Fiera Milano SpA, as well as releases of provisions for risks, the deduction of which was deferred to the moment they are used.

A breakdown of deferred tax assets and deferred tax liabilities is given in the following table:

(€'000)

DEFERRED INCOME TAXES	31/12/17	Recognised in the Income Statement	Recognised in equity	31/12/18
<b>Deferred tax assets</b>				
Excess amortisation, depreciation and write-downs	587	(153)	-	434
Provisions for risks and charges	1,403	(348)	-	1,055
Write-down of doubtful receivables	1,022	(159)	-	863
Tax losses carried forward	6,113	(3,207)	-	2,906
Costs for share capital increase	111	-	(55)	56
Other temporary differences	1,437	(68)	-	1,369
<b>Total</b>	<b>10,673</b>	<b>(3,935)</b>	<b>(55)</b>	<b>6,683</b>
<b>Deferred tax liabilities</b>				
Goodwill and other amortisation	9,771	(6)	-	9,765
Other temporary differences	3	-	15	18
<b>Total</b>	<b>9,774</b>	<b>(6)</b>	<b>15</b>	<b>9,783</b>
Net deferred taxes	899	(3,929)	(70)	(3,100)
<i>of which: Tax assets for deferred taxes</i>	899			-
<i>Deferred tax liabilities</i>	-			3,100

### RECONCILIATION OF THEORETICAL AND EFFECTIVE CORPORATION TAX CHARGE (IRES)

(€'000)

Profit/(loss) before income tax	21,927
Percentage applicable for corporation income tax (IRES)	24.0%
<b>Theoretical IRES tax charge (corporation income tax)</b>	<b>5,262</b>
Difference between theoretical and effective tax charges:	
Non-deductible adjustments	479
Non-deductible operating expenses	273
Shares of dividends not subject to tax	(1,353)
ACE benefit	(204)
<b>Effective IRES tax charge</b>	<b>4,457</b>

<b>RECONCILIATION OF THEORETICAL AND EFFECTIVE CORPORATION TAX CHARGE (IRAP)</b>	(€'000)
EBIT	18,090
Not- relevant expenses for IRAP purposes	36,497
Taxable base for purposes of IRAP	54,587
Statutory rate applicable for corporation income tax (IRAP)	3.9%
<b>Theoretical IRAP tax charge (corporation income tax)</b>	<b>2,129</b>
Difference between theoretical and effective tax charges:	
Effect of tax wedge	(1,316)
Other	95
<b>Effective IRAP tax charge</b>	<b>908</b>

The item "Income taxes" included Euro 598 thousand (Euro 480 thousand at 31 December 2017) for related-party transactions. Note 42 provides further details on such transactions.

#### 41) PROFIT/LOSS FOR THE YEAR

The net profit at 31 December 2018 was Euro 16,561 thousand compared to the loss of Euro 864 thousand at 31 December 2017.

#### 42) RELATED-PARTY TRANSACTIONS

As part of its corporate governance action, Fiera Milano SpA has adopted Procedures for Related-party Transactions as indicated in the chapter on corporate governance and ownership structure in the Annual Report.

Transactions carried out by Fiera Milano SpA with related parties are settled at arm's length.

In the Statement of Financial Position, Statement of Comprehensive Income and the Statement of Cash Flows, the amounts for related-party positions or transactions, if material, are shown separately from the reference items. Given the total amount of statement of financial position and income statement items, Fiera Milano SpA has decided that Euro 2 million is the material threshold above which separate disclosure must be made in the Statement of Financial Position and Euro 1 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 entity Fondazione Fiera Milano and with subsidiaries.

#### Related-party transactions with the controlling entity Fondazione Fiera Milano

The recurring transactions are summarised below.

##### I. Real estate lease agreements

As described below, on 31 March 2014 new leases were signed for the exhibition sites of Rho and Milan. These contracts were effective from the second half 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, aligning the effective dates for the exhibition sites at 1 January 2006.

Initially, cancellation of the contracts had to be notified 18 months prior to their expiry on 31 December 2014. On 31 March 2014, new leases were signed for the exhibition sites. The new leases are for 9 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 9 years.

Under the lease for the Rho exhibition site, compared to the previous lease valid until 30 June 2014, the rent was reduced by Euro 2,000 thousand in the second half of 2014 and by Euro 14,000 thousand for 2015 and for each subsequent year. Therefore, the rent was Euro 24,400 thousand for the second half of 2014 and Euro 38,800 thousand from 2015 and for each subsequent year, annually adjusted for 100% of the change in the ISTAT consumer price index.

For the Milan City exhibition site, the parties agreed to maintain the existing rent of Euro 2,850 thousand 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, Procedures for Related-party Transactions were applied and, on 21 March 2014, Disclosure for a related-party transaction of greater importance ("RPT Disclosure") was published.

To confirm the arm's length conditions applied, the lease payments were determined by the parties also using valuations prepared for the Company by an independent expert.

## **II. Settlement of Group VAT**

Taking advantage of the option provided by Italian Presidential Decree 633/72, from 1 January 2002 the Group chose to follow the procedure, managed by the controlling entity, Fondazione Fiera Milano, for the 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 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 three years 2016, 2017 and 2018.

The Regulation adopted for the tax consolidation of Fondazione Fiera Milano provides that the tax losses of consolidated companies, generated in each of the years that the option is valid, may be utilised to offset the tax payables in the same financial year of companies participating in the tax consolidation, after the tax losses of Fiera Milano SpA and the consolidating entity have been calculated; the tax losses of consolidated companies are remunerated to the extent of the effective benefit achieved 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 subject to 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 agreed on each occasion between the buyer and the supplier, also on the basis of specific offers/estimates. The service supply contract is governed at arm's length.

#### 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 exclusive licence for use of the brand name for 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. Fondazione Fiera Milano, as its corporate purpose includes development of the exhibition sector, decided to retain ownership of the Fiera Milano trademark and did not include it in the business unit “Exhibition Management Activity” transferred to the Company in 2001, but envisaging that Fiera Milano SpA would use the brand name for an extended period of time and without incurring additional costs for its use. Note that this licence was renewed with validity up to 20 December 2019.

#### VI. Correspondent current account contract

A new contract for the correspondent current account was agreed on 24 June 2016. 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 correspondent current account before replacing it.

The parties settle collections and payments under co-obligation contracts, in particular the lease payments for the exhibition sites and the services provided by each party to the other.

The fixed rate equal to the 1-month Euribor plus a spread of 1.50% was changed

on 1 April 2018 to the 1-month Euribor plus a spread of 0.75%.

Receivables for invoices issued by the parties will accrue interest 60 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 past due by more than 180 days which are always payable immediately.

Invoices for the exhibition site lease payments are part of the agreement but accrue interest and are payable under the specific terms of the related leases. The balance of any invoices past due by at least 180 days, together with the balance of the invoices for the exhibition site leases that are due under the terms of the relevant leases, represent the collectable balance.

Credits that cannot be offset are excluded from the current account.

The party for which the credit or debit balance exceeds Euro 5,000 thousand has the right to request payment or to arrange payment. Where a request for payment of the balance has been made, the amount must be settled within 15 working days of the request.

The correspondent current account must be closed and payment of all interest arranged every quarter.

#### VII. “Corporate Think Tank” investments plan

On 14 May 2018, as part of the competitiveness and sustainability plan for exhibition structures, Fondazione Fiera Milano signed an agreement with Fiera Milano SpA undertaking a commitment to support major investment plans. The parties developed their partnership through the setup of a Corporate Think Tank for the joint analysis, comparison and assessment of methods for implementing the investments. The parties agree that for the coordination and strict monitoring of investment activities, Fondazione Fiera Milano will pay Fiera Milano SpA an arm’s length fee of 4% of the total value of the related investments.

### Transactions with subsidiaries

Fiera Milano SpA trade relations with the subsidiaries are governed at arm's length and target 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.

The subsidiaries Fiera Milano Congressi SpA, Fiera Milano Media SpA and Nolostand SpA have agreements in place with Fiera Milano granting the right to use the name "Fiera Milano" in their own trademarks. These agreements last until 31 December 2019 with no automatic renewal on expiry. The agreed amount payable by each licensee company is Euro 100.

On 22 November 2018, effective from 10 December 2018, Fiera Milano SpA signed a cash pooling agreement with Fiera Milano Congressi SpA, Fiera Milano Media SpA and Nolostand SpA that shows the daily balances subject to offsetting among the companies. The 3-month Euribor rate is applied (with zero floor) plus a spread updated quarterly to the market value. Note that this agreement will remain valid until 31 December 2019, with automatic annual renewal unless cancelled by one of the parties.

Fiera Milano SpA also provides communication services to subsidiaries in order to ensure a uniform Group image.

Transactions with subsidiaries are settled at arm's length.

#### I. Tax consolidation

In 2007, Fiera Milano SpA as consolidating entity and all the Italian subsidiaries, as consolidated companies, opted for the Italian tax consolidation for IRES tax purposes. The tax consolidation was renewed every three years until 2015. 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 the subsidiary Nolostand SpA for the exclusive provision of stand-fitting services to customers of the Parent Company at exhibitions, events and other initiatives at the **fieramilano** and **fieramilanocity** exhibition sites. On 2 July 2018, a new agreement was signed which changed the method for calculating the payment, benchmarked to costs incurred plus a remuneration mark-up.

#### III. Fiera Milano Media SpA

Fiera Milano SpA has an agreement with Fiera Milano Media SpA whereby the latter has the exclusive right to manage the advertising on 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.



### Relations with joint ventures

Fiera Milano SpA trade relations with joint ventures are governed at arm's length and target the organisation and management of exhibitions and other events.

On 21 February 2016, Fiera Milano SpA and the joint venture company Ipack Ima Srl signed a loan agreement for a maximum of Euro 3,000 thousand. The loan is renewed automatically each year and a 1.50% interest rate is applied. At 31 December 2018, the loan had not been used.

On 14 June 2018, the joint venture Hannover Milano Global Germany GmbH approved the 2017 Financial Statements and approved a dividend distribution of Euro 9,000 thousand. The amount attributable to Fiera Milano SpA was Euro 3,552 thousand, which was collected in December 2018.

### Relations with associates

Fiera Milano SpA relations with associates are part of normal operations and are governed at arm's length.

On 5 July 2018, Fiera Milano SpA signed an agreement with the associate Fiera Parking SpA, a wholly-owned subsidiary of Fondazione Fiera Milano, for the management of car parks serving the **fieramilanocity** exhibition centre. The agreement has a seven-year duration from 1 September 2018, tacitly renewable for a further seven years.

Financial, capital and economic transactions with related parties are summarised below.

## FIERA MILANO SPA

RELATED PARTY ENTRIES IN THE STATEMENT OF FINANCIAL POSITION AND  
INCOME STATEMENT IN THE FINANCIAL YEAR TO 31 DECEMBER 2018

(€'000)	Trade receivables and other non current	Trade receivables and other current	Inventories	Current financial assets	Pre-payments	Other current financial 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
<b>Controlling shareholder:</b>																	
Fondazione Fiera Milano	11,335	5,878				678	2,292	4		883	42,732		211	306	35	10	598
<b>Subsidiaries:</b>																	
Fiera Milano Congressi SpA		1,247	1			4,231	660	1,469	2	629	184	62		1,025	2,382		1
Fiera Milano Media SpA		475	276	2,208		1,030	1,276	658	5	2,827	3	141	98	1,197	39		
La Fabbrica del Libro SpA		19		753				843						290	11		
Nolostand SpA		337	31			30	11,428	1,641		30,468		916		1,353			
Eurofairs International Consultoria e Partipações Ltda																	
<b>Joint-ventures:</b>																	
Ipack Ima srl		10					52	6,159		159	2	178		265	9		
Hannover Milano Fairs China Ltd										71							
Hannover Milano Fairs Shangai Ltd		11			29			61									
Hannover Milano Global Germany GmbH															3,552		
Mico DMC Srl		1	310				122			2,006			2	20			
<b>Associates:</b>																	
Fiera Parking SpA							64	32									
<b>Total related parties</b>	<b>11,335</b>	<b>7,978</b>	<b>618</b>	<b>2,961</b>	<b>29</b>	<b>5,969</b>	<b>15,909</b>	<b>10,867</b>	<b>7</b>	<b>37,043</b>	<b>42,921</b>	<b>1,297</b>	<b>311</b>	<b>4,456</b>	<b>6,028</b>	<b>11</b>	<b>598</b>
<b>Total reported</b>	<b>11,424</b>	<b>31,071</b>	<b>2,786</b>	<b>2,961</b>	<b>41,743</b>	<b>5,969</b>	<b>33,081</b>	<b>196,384</b>	<b>326</b>	<b>94,324</b>	<b>44,559</b>	<b>35,278</b>	<b>3,521</b>	<b>5,584</b>	<b>6,122</b>	<b>290</b>	<b>5,365</b>
<b>Related party entries/ Total reported (%)</b>	<b>99%</b>	<b>26%</b>	<b>22%</b>	<b>100%</b>	<b>-</b>	<b>100%</b>	<b>48%</b>	<b>6%</b>	<b>2%</b>	<b>39%</b>	<b>96%</b>	<b>4%</b>	<b>9%</b>	<b>80%</b>	<b>98%</b>	<b>4%</b>	<b>11%</b>

Information on the remuneration paid to the Administrative and Control Bodies, General Managers and Executives with strategic responsibilities at 31 December 2018 is given in the table included in the section "Other information".

STATEMENT OF RELATED PARTY CASH FLOW	(€'000)	
	2018	2017
<b>Cash flow from operating activities</b>		
Revenues and income	15,323	10,461
Costs and expenses	(81,579)	(81,902)
Financial income	6,028	2,437
Financial expenses	(12)	(204)
Income/expenses from tax consolidation	(598)	(480)
Change in inventories	(348)	220
Change in trade and other receivables	2,099	739
Change in pre-payments	(1,789)	1,529
Change in other current liabilities	818	(1,088)
<b>Total</b>	<b>(60,058)</b>	<b>(68,288)</b>
<b>Cash flow from investing activities</b>		
Investments in non-current assets		
Tangible and intangible	-	(34)
<b>Total</b>	<b>-</b>	<b>(34)</b>
<b>Cash flow from financing activities</b>		
Change in current financial assets	3,812	(767)
Change in current financial liabilities	3,293	(1,638)
<b>Total</b>	<b>7,105</b>	<b>(2,405)</b>
<b>Cash flow in the year</b>	<b>(52,953)</b>	<b>(70,727)</b>

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 31.12.18:			
Total	12,587	7,744	(11,036)
Related party transactions	(60,058)	-	7,105
FY to 31.12.17:			
Total	37,269	(1,422)	(40,140)
Related party transactions	(68,288)	(34)	(2,405)

### 43) OTHER INFORMATION

#### Material non-recurring events and transactions

During the year, there were no material non-recurring transactions under Consob Communication of 28 July 2006.

#### Transactions relating to atypical and/or unusual operations

In compliance with the Consob Communication of 28 July 2006, it is stated that no unusual and/or atypical operations were carried out by the Company in 2018 as defined in the aforementioned Communication.

#### Significant events after the end of the reporting year

On 21 March 2019, Fiera Milano communicates that, pursuant to article 5 of Consob Regulation 17221 of 12 March 2010, and as amended regarding Related-Party Transactions, today it published the Information Document about the agreements for the sub-lease of the roofs of the exhibition spaces of Rho-Pero for the construction of a photovoltaic system and the linked contract for the purchase of renewable energy, closed with Fair renew S.r.l., whose share capital is held by A2A Rinnovabili S.p.A. (60%), group company A2A, and Ente Autonomo Fiera Internazionale di Milano (40%), which is the majority shareholder of Fiera Milano.

#### Information under Article 149-duodecies of the Consob Issuers' Regulation

The fees paid for services provided by the independent auditors in 2018 are shown in the following table.

(€'000)		
	Service provider	Fees for FY 2018
Auditing	EY SpA	192
Additional remuneration - IFRS 16	EY SpA	26
Other services (*)	EY SpA	52
Other services (**)	EY SpA	10
Other services (***)	EY SpA	20
<b>Total</b>		<b>300</b>

(\*) Agreed upon procedures

(\*\*) tax credit certification for advertising investments

(\*\*\*) Limited review of Non-financial Information

#### Remuneration paid to 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 Company activities.

The Executives with strategic responsibilities are the Directors, Statutory Auditors and the Chief Financial Officer.

The total remuneration for this category of Executives was Euro 2,768 thousand at 31 December 2018 (Euro 2,130 thousand at 31 December 2017) and the breakdown was as follows:

	(€'000)		
	2018		
REMUNERATION	Directors	Statutory Auditors	Other
Short-term benefits	680	116	1,108
Post-employment benefits	-	-	85
Other non-current benefits	-	-	-
Staff-leaving indemnities	-	-	-
Cost related "Medium-term Incentive Plan"	-	-	779
<b>Total</b>	<b>680</b>	<b>116</b>	<b>1,972</b>

The estimated cost for the "Medium-Term Incentive Plan" includes the value of stock grants assigned for Euro 540 thousand and the cash portion for Euro 239 thousand.

	(€'000)		
	2017		
REMUNERATION	Directors	Statutory Auditors	Other
Short-term benefits	801	95	489
Post-employment benefits	16	-	16
Other non-current benefits	-	-	-
Staff-leaving indemnities	-	-	713
Cost related "Medium-term Incentive Plan"	-	-	-
<b>Total</b>	<b>817</b>	<b>95</b>	<b>1,218</b>

At 31 December 2018, the outstanding amount payable to this category was Euro 614 thousand (Euro 213 thousand at 31 December 2017).

Rho (Milan), 12 March 2019

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 2018

(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		
<b>Subsidiaries:</b>								
Fiera Milano Congressi SpA	Milan	2,000	5,714	5,714	2,266	2,266	100.00%	12,200
Fiera Milano Media SpA	Milan	2,803	2,460	2,460	58	58	100.00%	7,618
La Fabbrica del Libro SpA	Milan	120	138	70	(1,101)	(562)	51.00%	-
Nolostand SpA	Milan	7,500	6,052	6,052	729	729	100.00%	13,390
Cipa Fiera Milano Publicações e Eventos Ltda	San Paolo Brazil	4,807	2,628	1	601	-	0.04%	2
		13,984	10,528	10,527	(188)	(188)	99.99%	800
Eurofairs International Consultoria e Participações Ltda	San Paolo Brazil			1		-	+0,01% ind.	
Fiera Milano Exhibitions Africa Pty Ltd	Cape Town	-	609	609	(3)	(3)	100.00%	415
Fiera Milano India Pvt Ltd	New Delhi	251	61	61	(5)	(5)	99.99%	62
Limited Liability Company "Fiera Milano"	Mosca	125	(39)	(39)	(93)	(93)	100.00%	-
<b>Total</b>								<b>34,487</b>
<b>Joint Venture:</b>								
Hannover Milano Global Germany GmbH	Hannover Germany	25	20,850	10,217	7,978	3,909	49.00%	10,990
lpack Ima Srl	Milan	20	5,288	2,591	3,978	1,949	49.00%	2,407
<b>Total</b>								<b>13,397</b>

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)

<b>Fiera Milano Congressi SpA</b>	<b>31/12/18</b>	<b>31/12/17</b>
Revenues from sales and services	34,134	28,346
Profit/(loss)	2,266	382
Equity	5,714	5,830
Net financial debt/(cash)	(10,544)	(3,018)
<b>Fiera Milano Media SpA</b>	<b>31/12/18</b>	<b>31/12/17</b>
Revenues from sales and services	11,299	10,988
Profit/(loss)	58	(103)
Equity	2,460	2,401
Net financial debt/(cash)	(1,379)	1,541
<b>Ipack-Ima SpA *</b>	<b>31/12/18</b>	<b>31/12/17</b>
Revenues from sales and services	-	-
Profit/(loss)	-	(17)
Equity	-	5,128
Net financial debt/(cash)	-	(2,689)
<b>La Fabbrica del Libro SpA **</b>	<b>31/12/18</b>	<b>31/12/17</b>
Revenues from sales and services	1,395	1,409
Profit/(loss)	(1,101)	(1,784)
Equity	138	597
Net financial debt/(cash)	271	(233)
<b>Nolostand SpA</b>	<b>31/12/18</b>	<b>31/12/17</b>
Revenues from sales and services	35,580	33,012
Profit/(loss)	729	(2,683)
Equity	6,052	5,323
Net financial debt/(cash)	(778)	(1,633)

\* Merger by incorporation in Fiera Milano SpA on 14 December 2018

\*\* The figures are for the period 5 September 2016 to 31 December 2017, which was the end of the first reporting year

## 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**  
(amounts in Brazilian reais '000)

	31/12/18	31/12/17
Revenues from sales and services	30,310	14,319
Profit/(loss)	2,588	(8,772)
Equity	11,678	5,906
Net financial debt/(cash)	(1,468)	1,834

**Eurofairs International Consultoria e Participações Ltda**  
(amounts in Brazilian reais '000)

	31/12/18	31/12/17
Revenues from sales and services	-	-
Profit/(loss)	(810)	(1,645)
Equity	46,786	44,412
Net financial debt/(cash)	(919)	2,302

**Fiera Milano Exhibitions Africa Pty Ltd**  
(amounts in South African rand '000)

	31/12/18	31/12/17
Revenues from sales and services	12,639	16,893
Profit/(loss)	(43)	(16,745)
Equity	10,020	10,063
Net financial debt/(cash)	(12,430)	(12,574)

**Fiera Milano India Pvt Ltd**  
(amounts in rupees '000)

	31/12/18	31/12/17
Revenues from sales and services	-	-
Profit/(loss)	(441)	(8,611)
Equity	4,883	5,324
Net financial debt/(cash)	(4,911)	(4,905)

**Limited Liability Company "Fiera Milano"**  
(amounts in rubles '000)

	31/12/18	31/12/17
Revenues from sales and services	-	-
Profit/(loss)	(6,863)	(8,465)
Equity	(3,078)	3,803
Net financial debt/(cash)	(2,593)	(3,085)



**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)

<b>Ipack Ima Srl</b>	<b>31/12/18</b>	<b>31/12/17</b>
Revenues from sales and services	16,934	-
Profit/(loss)	3,978	(1,418)
Equity	5,288	1,310
Net financial debt/(cash)	(2,182)	(185)

**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)

<b>Hannover Milano Global Germany GmbH</b>	<b>31/12/18</b>	<b>31/12/17</b>
Revenues from sales and services	44,215	43,236
Profit/(loss)	7,978	8,408
Equity	20,850	22,317
Net financial debt/(cash)	(23,330)	(24,438)

# DECLARATION RELATING TO THE FINANCIAL STATEMENTS IN ACCORDANCE WITH ARTICLE 154-BIS, PARAGRAPH 5, ITALIAN LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998

1. The undersigned, Fabrizio Curci, as Chief Executive Officer, and Marco Pacini, as Manager responsible for preparing the company accounts of Fiera Milano SpA, having noted the provisions of article 154-bis, paragraphs 3 and 4, Italian Legislative Decree no. 58 of 24 February 1998, attest to:
  - the appropriateness in relation to the characteristics of the business and
  - the effective application of administrative and accounting procedures for preparation of the financial statements at 31 December 2018.
2. It is also declared that:
  - 2.1 the Financial Statements at 31 December 2018:
    - have been prepared in accordance with applicable international accounting standards recognised by the European Union in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the 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.
  - 2.2 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 they are exposed.

Rho (Milan), 12 March 2019

*[Signed]*

**Chief Executive Officer**  
Fabrizio Curci

*[Signed]*

**Manager responsible for preparing  
the company accounts**  
Marco Pacini



# REPORT OF THE BOARD OF STATUTORY AUDITORS PURSUANT TO ART. 153 OF LEGISLATIVE DECREE NO. 58/1998

Dear Shareholders,

This report, drawn up pursuant to art. 153 of Legislative Decree no. 58/1998 (Consolidated Finance Act), reports on the activity carried out by the Board of Statutory Auditors of Fiera Milano SpA ("Fiera Milano" or also the "Company") in the financial year that ended 31 December 2018, in compliance with the regulations of reference, also taking into account the Code of Conduct of the Board of Statutory Auditors recommended by the Italian Accounting Profession.

## 1. APPOINTMENT AND ACTIVITIES OF THE BOARD OF STATUTORY AUDITORS

On 23 April 2018, Fiera Milano's Shareholders' Meeting saw to renewing the Board of Statutory Auditors (whose term had expired at the end of the three-year period), appointing for the next period and up until approval of the financial statements as at 31 December 2020, its members in the persons of prof. Riccardo Raul Bauer (Chairman), Mr. Daniele Monarca, and Ms. Mariella Tagliabue (Statutory Auditors). During the financial year, the Board of Statutory Auditors carried out its duties holding 14 meetings (three of which held by the previous Board of Statutory Auditors); it also participated in all the meetings: nine meetings of the Board of Directors (two of which attended by the previous Board), nine meetings of the Control and Risk Management Committee (four of which attended by the previous Board) and four meetings of the Appointments and Remuneration Committee (two of which attended by the previous Board).

From the date of closure of the 2018 financial year to the date of this report, the board met four times.

## 2. SUPERVISORY ACTIVITY ON COMPLIANCE WITH THE LAW AND ARTICLES OF ASSOCIATION

The Board of Statutory Auditors has periodically obtained information from directors - also by participating in the Board of Directors' and the board sub-committees' meetings - on the activities performed and most important economic, financial and equity transactions resolved and set in place for the financial year, carried out by the Company and the companies of the Group, also as set forth in art. 150 of the Consolidated Finance Act, paragraph 1. Based on the information available, the Board of Statutory Auditors may reasonably ensure that those very transactions follow the law and the articles of association and are not manifestly imprudent, reckless, or conflicting with the Shareholders' Meeting resolutions or such as to jeopardise the integrity of corporate assets. Moreover, the transactions potentially in conflict of interest were decided in compliance with the law, the regulatory provisions and the articles of association.

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Some of the significant events during the year whose relevance the Board of Statutory Auditors deems fit to take into consideration are:

- With measure no. 8450 Borsa Italiana S.p.A. ordered the reassignment of the STAR (High performance equities segment) qualification to Fiera Milano's ordinary shares, as well as their trading in said segment of the Italian Stock Exchange starting from 30 April 2018;
- Main rationalisations of the shares, new initiatives and capital strengthening of the investees:
  - Acquisition of fairs abroad with the German partner Deutsche Messe AG: LET China - Logistics Equipment & Technology fair and Laserfair, technology of the laser industry;
  - rationalisation abroad through the purchase of the rest of the 50% of the biannual investment Tubotech, an international trade fair for industrial tube, valve and pump production and working technology;
  - in the scope of the joint venture with the German partner Deutsche Messe AG, for strategic reasons, the Share Purchase Agreement was closed which officialised the transfer of the 50% of Global Fairs Private & Media Ltd from Hannover Milano Fairs India Private Ltd to the other shareholder The Indian Express Group Ltd;
  - The payments toward future capital increase of Euro 547 thousand for Fabbrica del Libro S.p.A. and Euro 800 thousand for the Brazilian subsidiary Eurofairs International Consultoria e Participacoes Ltda;
  - on 6 December 2018, the deed of merger was entered into for incorporation of the subsidiary Ipack-Ima S.p.A. into the controlling entity Fiera Milano SpA
- Strategic guidelines and investments of the controlling entity Fondazione Fiera Milano:
  - On 23 May 2018, Fiera Milano presented the strategic guidelines and economic and financial objectives of the group plan for the 2018-2022 period;
  - Fondazione Fiera Milano passed a Euro 70 million investment plan for the 2018-2020 period which will help give the Rho exhibition site and the Mi.Co. Conference centre a competitive edge.

Some of the events after closure of the 2018 financial year were:

- On 21 March 2019, Fiera Milano published an information document on very important transactions with related parties concerning agreements for subrenting the roofs of the Rho-Pero exhibition sites for the installation of a photovoltaic system and the linked purchase contract for the renewable energy, closed with Fair Renew S.r.l. in which Fondazione Ente Autonomo Fiera Internazionale di Milano (Fiera Milano's majority shareholder) holds a 40% share.

### **3. ACTIVITY OF SUPERVISION ON FOLLOWING THE PRINCIPLES OF PROPER ADMINISTRATION AND ON THE ADEQUACY OF THE ORGANISATIONAL STRUCTURE**

The Board of Statutory Auditors has acquired knowledge on and supervised the adequacy of the organisational structure, compliance with the principles of proper administration, and adequacy of the provisions the Company gives its subsidiaries as set forth in art. 114, paragraph 2 of the Consolidated Finance Act, by acquiring information from the heads of the corporate functions responsible and meetings with the independent auditors in the framework of mutual exchange of relevant data and information.

During the financial year, the Company adopted various implementation or transposition measures of provisions required by regulations, the Supervisory Authority, Corporate Governance Code and Group Regulations.

Specifically, the Board of Directors updated the procedures on transactions with related parties, approved the procedures on whistleblowing, approved the amendments to the privacy policy as well as those to the MAR (Privileged Information, Insider List, and Internal Dealing) procedures and new Group principles and policies.

While carrying out management and coordination activities, the Board of Directors also, among other things, has expressed prior consent to the merger for the incorporation of Ipack-Ima S.p.A. into the controlling entity Fiera Milano, approved the Group's reorganisation (including revamping foreign business) and approved the amendments to the remuneration policies.

As set forth in Regulation Q.1.1 of the Code of Conduct of the board of statutory auditors of listed companies, the Board of Statutory Auditors carried out an evaluation of its own makeup, size and operation, whose outcomes were presented at the session of the Board of Directors on 12 February 2019. With reference to the requisites and personal and board know-how, it was found that:

- all statutory auditors, besides possessing the requisites of honourability and professionalism and not falling under the situations of incompatibility provided for by current regulations, also possess the requisites of independence required by the Corporate Governance Code;
- the Board of Statutory Auditors guarantees the diversity of gender and generation of its members;
- each statutory auditor has good knowledge and experience in various skill sets;
- the Board of Statutory Auditors has adequate skills overall.

The size, operation and information flows are adequate and do not have any gaps or problem areas.

The Board of Statutory Auditors was at the session where the Board of Directors went over the outcomes of the Board Review conducted internally. The procedures for carrying out the Board Review and the positive outcomes that emerged are described in the Fiera Milano's Report on Corporate Governance as requested in the "Committee Recommendations for 2019" formulated by the Corporate Governance Committee.

In 2018 the Board of Directors approved amendments to the Organisational Structure of the company and the company organisation is adequate on the whole as far as the company size and type of business conducted.

No issues emerged from the examination of the annual reports on the financial statements issued by the Boards of Statutory Auditors of the subsidiaries. Likewise, no issues were reported during the periodic meetings with the members of the Boards of Statutory Auditors of the subsidiaries and associates.

The Management Report, the information received during the Board of Directors meeting and that received by the Chief Executive Officer, top managers, the Boards of Statutory Auditors of the subsidiaries and associates and the independent auditors did not point out any atypical and/or unusual transactions with Group companies, third parties or related parties.

Lastly, the Board of Statutory Auditors verified the corporate processes that led to the definition of the Company's remuneration policies specifically in reference to the remuneration criteria of the Chief Executive Officer, strategic managers and the manager of the control function.

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#### 4. SUPERVISORY ACTIVITY ON THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board of Statutory Auditors oversaw the adequacy of the risk management and internal control systems through:

- meetings with the Fiera Milano top managers for the examination of the risk management and internal control system;
- periodic meetings with the Internal Audit function and Compliance function in order to assess the work planning procedures, based on the identification and assessment of the main risks in the processes and organisational units;
- meetings with the risk manager to analyse Fiera Milano and the Group's strategic risks;
- meetings with all the top positions regarding the organisation and management impacts of Fiera Milano's corporate activities;
- meetings with the subsidiaries' Chief Executive Officers appointed during the year 2018;
- examination of the periodic reports of the Control Function in coordination with the Company's Control and Risk Management Committee;
- meetings with the Manager responsible for preparing the Company accounts and Fiera Milano's Planning and Control Manager;
- meeting with Fiera Milano's Investor Relator;
- periodic meetings with the subsidiaries' and associated companies' control bodies as set forth in paragraphs 1 and 2 of art. 151 of the Consolidated Finance Act during which the Board of Statutory Auditors acquired information on the events involving Group companies deemed significant and on the internal control system;
- joint sessions with the Control and Risk Management Committee and the Company's Supervisory Committee;
- discussion of the results of the independent auditor's work;
- regular participation in the works of the Risk and Control Management Committee and the Remuneration Committee of the Company and when the discussions so required, addressing them together with the respective committees.

In carrying out its audit activity, the Board of Statutory Auditors maintained an ongoing dialogue with the Risk Management and Internal Control functions.

The Company's Internal Audit function operates based on the annual plan that defines which activities and processes to be checked with a risk-based approach outlook. The plan is approved annually by the Board of Directors through favourable opinion of the Risk and Control Management Committee.

The activities carried out by the function over the course of the year covered the planned scope of activity. No major issues emerged from this activity, but rather areas for improvement to be implemented in the near future.

The Board of Statutory Auditors acknowledges that the Control Function's annual report closes with an overall favourable opinion on the set-up of internal audits.

Based on the activity performed, information acquired and content of the Control Function's Report, the Board of Statutory Auditors deems that there are no issues that could get in the way of the set-up of the risk management and control system.

With regard to the provisions as set forth in articles 15 *et seq.* as amended of the Market Regulation (as last amended with Consob Resolution no. 20249 of 28 December 2017), relative to the subsidiaries established and governed by the laws of states that do not belong to the European Union, the Board was provided adequate information by the head of the internal control function on 30 January 2019 and, on 7 March 2019, also brought to the attention of the Control and Risk Management Committee, which revealed - for the companies that are particularly important based on the criteria required by the Issuers' Regulation, the subsistence of an administrative and accounting system that oversees the preparation of the financial information, suitable and that substantially meets the requirements pursuant to art. 15.

Therefore, there is no need to make a specific adjustment plan.

## **5. ACTIVITIES OF SUPERVISION OVER THE ADMINISTRATIVE AND ACCOUNTING SYSTEM AND THE FINANCIAL INFORMATION PROCESS**

In the capacity of Internal Control and Audit Committee, the Board of Statutory Auditors monitored the process and checked the effectiveness of the risk management and internal control systems for that which concerns the financial information.

The Board of Statutory Auditors periodically met the Manager responsible for preparing the Company accounts to exchange information on the administrative and accounting system, as well as on the reliability of the latter for the purposes of proper representation of management facts.

During the year 2018 the activities aimed at keeping Fiera Group's processes mapping up-to-date continued. The Group's accounting principles and policies were reviewed and updated and lastly, approved by Fiera Milano's Board of Directors.

The Board of Statutory Auditors also examined the statements of the Chief Executive Officer and the Manager responsible for preparing the Company accounts according to the provisions of art. 154-*bis* of the Consolidated Finance Act.

The Board of Statutory Auditors did not point out shortcomings that could interfere with the opinion of adequacy and effective application of the administrative and accounting procedures.

At the periodic meetings with the Board of Statutory Auditors, the heads of the independent auditors did not report problematic situations that could get in the way of the internal control system inherent to the administrative and accounting procedures.

## **6. SUPERVISORY ACTIVITIES ON THE TRANSACTIONS WITH RELATED PARTIES**

The infra-group transactions or with related parties are listed in the Explanatory Notes §§42 divided up into relationships with the controlling entity Fiera Milano and with the subsidiaries.

The Board of Statutory Auditors oversaw compliance with the Procedure for Related-Party Transactions ("OPC Procedure"), approved by the Board of Directors on 5 November 2010, amended by the BoD on 19 February 2018, and on 11 May 2018, to current regulations and its proper application.



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## 7. MEANS OF CONCRETE IMPLEMENTATION OF THE CORPORATE GOVERNANCE RULES

In exercising its functions, as prescribed by art. 2403 of the Civil Code and by art. 149 of the Consolidated Finance Act, it oversaw the means of concrete implementation of the corporate governance rules required by the codes of conduct that Fiera Milano states it adheres to. The company adheres to the Corporate Governance Code brought forth by Borsa Italiana and drew up as set forth in art. 123-*bis* of the Consolidated Finance Act the annual “Report on corporate governance and ownership structure” which provides information on:

- i. the corporate governance practices actually applied;
- ii. the main characteristics of the internal control and risk management systems;
- iii. the mechanisms of operation of the Shareholders’ Meeting, its main powers, the rights of the shareholders and how they are exercised;
- iv. the makeup and operation of the administration and control bodies and the board subcommittees as well as the other information required by art. 123-*bis* of the Consolidated Finance Act.

The Board of Directors approved the “Report on corporate governance and ownership structure” on 12 March 2019.

The Board of Statutory Auditors also proceeded with checking proper application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members.

## 8. ACTIVITIES OF SUPERVISION OVER THE INDEPENDENT AUDIT ACTIVITY

As set forth in art. 19 of Legislative Decree 39/2010, the Board of Statutory Auditors is also the Internal Control and Audit Committee and carried out the prescribed activities of supervision over the independent audit of the annual and consolidated accounts.

The Board of Statutory Auditors periodically met with the independent auditors Ernst & Young S.p.A. (“EY”) also as set forth in art. 150, paragraph 3, of the Consolidated Finance Act in order to exchange information. At these meetings, the independent auditors did not point out documents or deeds deemed reprehensible or irregularities that could require the formulation of specific reports as set forth in art. 155, paragraph 2 of the Consolidated Finance Act.

Over the course of the supervisory activities on the 2018 financial statements, the Board of Statutory Auditors periodically met with the independent auditors to examine the outcomes from performance of the check on regular bookkeeping, examine the *2018 Fiera Milano and Group Audit Plan* and stage of completion of the 2018 Audit Plan works.

The draft financial statements for the financial year ended 31 December 2018, complete with the management report prepared by the directors as well as the attestation of the Chief Executive Officer and the Manager responsible for preparing the Company accounts, was approved by the Board of Directors at the meeting on 12 March 2019, and at the same time the Board of Statutory Auditors made it available in view of the Shareholders’ Meeting called for 18 April 2019.

On 12 March 2019, the Fiera Milano’s Board of Directors approved the financial statements and consolidated financial statements.

On 26 March 2019, the independent auditors, as set forth in art. 14 of Legislative Decree 39/2010 and art. 10 of Regulation (EU) no. 537/2014, issued the audit reports on the Fiera Milano financial statements and Fiera Group consolidated financial statements for the year ended 31 December 2018.

For that which concerns the opinions and attestations, in the Audit Report on the financial statements the independent auditors:

- issued an opinion that says that the Fiera Milano financial statements and Fiera Group consolidated financial statements are a true and correct representation of the Company's and Group's equity and financial position as at 31 December 2018, of the economic result and cash flows for the year ended on that date in compliance with the International Financial Reporting Standards adopted by the European Union, as well as measures issued in implementation of art. 9 of Legislative Decree 38/2005 and art. 43 of Legislative Decree 136/2015;
- issued an opinion of consistency that says that the Management Reports attached to the financial statements and the consolidated financial statements as at 31 December 2018 and information in the "Report on corporate governance and ownership structure" given in article 123-bis, paragraph 4, of the Consolidated Finance Act, for which the Fiera Milano directors are responsible, are consistent with the financial statement documentation and are compliant with legal regulations;
- for that which concerns any major errors in the Management Report and based on the knowledge and comprehension of the Company and its background acquired during audit activities, stated it has nothing to report;
- checked that the directors had approved the Non-Financial Statement.

On 26 March 2019, the independent auditors also submitted the Board of Statutory Auditors the additional report required by art. 11 of Regulation (EU) no. 537/2014, whose content was already disclosed at the meeting on 20 March 2019, according to which there are no major gaps in the internal control system regarding the financial information process that need to be brought to the attention of the managers of the governance activities.

The independent auditors thus submitted the statement on independence to the Board of Statutory Auditors, as required by art. 6 of Regulation (EU) no. 537/2014, from which situations that could compromise its independence did not emerge.

The independent auditors performed the following additional tasks during the 2018 financial year, the payment for which, also listed in attachment to the financial statements as required by art. 149-duodecies of the Issuers' Regulation, were charged to the income statement:

Service Type	Description of the Services	EY Amount in Euro thousands
Other services	Agreed audit procedures	52
Certification services	Certification for tax credits for advertising investments	10
Other services	Professional services linked to limited audit of the Non-Financial Statement	20
Statutory audit	Additional compensation for checks on IFRS 16	26
<b>Services Total</b>		<b>108</b>

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## 9. REMUNERATION POLICIES

The Board of Statutory Auditors verified the corporate processes that led to the definition of the Company's remuneration policies specifically in reference to the remuneration criteria of the Chief Executive Officer and of the managers with strategic responsibilities as well as the manager of the control function.

## 10. OMISSIONS OR REPREHENSIBLE DEEDS, OPINIONS RENDERED AND INITIATIVES UNDERTAKEN

During the 2018 financial year the Board of Statutory Auditors neither received reports as set forth in art. 2408 of the Civil Code nor received reports by third parties.

The Board of Statutory Auditors issued the opinions required by the current regulations; in particular, it expressed a favourable opinion on the proposal to appoint the Manager responsible for preparing the Company accounts on 11 May 2018.

During the activities performed and based on the information obtained, there was no evidence of omissions, reprehensible deeds, irregularities or in any event major circumstances that would require a report to the Supervisory Authority or being mentioned in this report.

## 11. NON-FINANCIAL STATEMENT

In exercising its functions, the Board of Statutory Auditors oversaw compliance with the provisions in Legislative Decree no. 254 of 30 December 2016, and with Consob Regulation implementing the Decree adopted with resolution no. 20267 of 18 January 2018, in particular with reference to the writing process and content of the Non-Financial Statement ("NFS") done by Fiera Milano.

The NFS was approved by the Board of Directors on 12 March 2019, as a separate document from the Management Report to the consolidated financial statements as at 31 December 2018.

The independent auditors entrusted with the assignment of carrying out the limited examination of the NFS as set forth in art. 3, paragraph 10 of Legislative Decree 254/2016 in the report issued on 26 March 2019, highlights that it did not notice any elements to lead one to believe that the Fiera Group's NFS for the year ended 31 December 2018, was not drawn up in all significant aspects in compliance with that required by articles 3 and 4 of Legislative Decree 254/2016 and the "Global Reporting Initiative Sustainability Reporting Standards".

The Board of Statutory Auditors did not find out about any violations of its regulatory provisions.

## 12. CONCLUSIONS

Taking into account all of the above, the Board of Statutory Auditors, considering the content of the reports drawn up by the independent auditors, acknowledging the certifications issued jointly by the Chief Executive Officer and the Manager responsible for preparing the Company accounts, expresses its opinion in favour of approval of the Fiera Milano financial statements as at 31 December 2018, and the proposal to allocate the financial year's profit and distributed the dividends formulated by the Board of Directors.

To conclude this report, the Board of Statutory Auditors would like to thank the Board of Directors, Management, the Company Personnel and the Group for the outstanding performance and constant, full cooperation that has always backed its efforts.

Milan, 26 March 2019

The Board of Statutory Auditors  
Mariella Tagliabue

# INDEPENDENT AUDITORS' REPORT



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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 Financial Statements

### Opinion

We have audited the financial statements of Fiera Milano S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, 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 Financial Statements* section of our report.

We are independent of the Company 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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We identified the following key audit matter:

Key Audit Matter	Audit Response
<p><b>Valuation of goodwill, intangible assets with definite useful life and investments</b></p>	<p>Our audit procedures in response to this key audit matter included, among others: (i) understanding of the process and key controls implemented by the Company to evaluate goodwill, intangible asset with definite useful life and investments; (ii) assessment of the revised CGUs perimeter and the allocation of the respective carrying amounts following the changes implemented during the year; (iii) reviewing of the report prepared by the external experts who supported management in performing the impairment test, including the valuation of their competence, capabilities and objectivity; (iv) assessing the significant assumptions underlying future cash flow projections, including the determination of the weighted average cost of capital, the discount rate and the long-term growth rates used in estimating the terminal value, and performing sensitivity analyses; (v) assessing the variances between actual results and the previous forecasts as assumed by the Group; (vi) testing the mathematical accuracy of the impairment test calculation; (vii) verifying the consistency of the forecast of future cash flows of the CGUs with the group business plan for the period 2019-2022.</p> <p>In performing our audit procedures we also involved our valuation specialists who assisted us in the assessment of assumptions and methodologies utilized by the Group, and performed independent calculations and sensitivity analyses of key assumptions. Lastly, we assessed the adequacy of the disclosures made in the notes to the financial statements relating to evaluation of goodwill, intangible assets with definite useful lives and investments.</p>
<p>At December 31, 2018 the carrying amount of goodwill, intangible assets with definite useful life and investments was euro 70,1 million, euro 6,8 million and euro 47,9 million, respectively. Goodwill and intangible assets with definite useful life were allocated to the Group's Cash Generating Units (CGUs). In 2018 the Company recorded impairment charges on investments for euro 1,9 million.</p> <p>The recoverable amount of goodwill is tested for impairment 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, and investments, are tested for impairment only when there is an indication of impairment. The processes and methodologies to estimate and determine the recoverable amount of the CGUs, in terms of value in use, are based on complex assumptions 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 2019-2022 Group business plan, the normalized cash flows used to estimate terminal value, and the discount rate and long term growth rates applied.</p> <p>During the course of 2018 Fiera Milano S.p.A., following certain changes in the organization and in the governance of the Group, as well as the integration of some operational and commercial processes, redefined the perimeter of the CGUs by merging all the activities related to trade fairs carried out in the exhibition areas <i>fieramilano</i> and <i>fieramilanocity</i>.</p> <p>Considering the materiality of the carrying amount of such assets and the level of judgement and complexity of the assumptions used in estimating the recoverable amount of goodwill, intangible assets with definite useful life and investments, we have determined that this area constitutes a key audit matter.</p> <p>The Company included disclosures related to the nature and the key assumptions used for impairment test in note 3 "Goodwill", note 4 "Intangible assets with a finite useful life" and note 5 "Investments".</p>	



## Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the 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 Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the 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 Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Company to cease to continue as a going concern;



- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Company in conducting the audit.

We confirm that the opinion on the 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 S.p.A. as at 31 December 2018, including their consistency with the related 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 financial statements of Fiera Milano S.p.A. as at 31 December 2018 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 financial statements of Fiera Milano S.p.A. as at 31 December 2018 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, 26 March 2019

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 18 April 2019 in Rho (Milan) at the Auditorium of the Centro Servizi of the Exhibition Site, Strada Statale del Sempione no. 28,

## passed resolutions

### 1. Financial Statements at 31 December 2018, 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 2018 and the Consolidated Disclosure of Non-financial Information under Legislative Decree no. 254/2016.

- 1) the Financial Statements at 31 December 2018, 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 profit of Euro 16,561,244.92, as presented by the Board of Directors in its entirety, and each individual item with the proposed allocations, as well as the Directors' Management Report;
- 2) the allocation of the net profit of the year of Euro 16,561,244.92 as follow:
  - distribution of a dividend, gross of amounts withheld under law, of euro 0.13 for each of the ordinary shares with rights, based on the amount of the profit for the year 2018;
  - retaining the remaining profit for the year, net of the aforementioned distribution;
  - to establish that the dividend will be paid on 8 May 2019, with detachment of coupon no. 8 on 6 May 2019 and record date on 7 May 2019.

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

- 1) the contents of Section One of the Report on Remuneration, prepared in accordance with Article 123-ter of Italian 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.

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### 3. Authorisation for the buyback 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 23 April 2018.

- 1) cancellation of the authorisation to buy back and dispose of treasury shares approved by the Ordinary Shareholders' Meeting of 23 April 2018;
- 2) authorising the Board of Directors, pursuant to Article 2357 et seq. of the Italian Civil Code, to buy back Company shares in accordance with the quantities, price, terms and conditions described below:
  - purchases being made in one or more tranches up to 18 months from the date of this resolution;
  - the purchase price of each share as not exceeding the higher of the most recent independent transaction and the current highest independent price bid at the trading venues where the purchase is made, provided that the unit price is not 10% higher or lower than the reference price recorded for Fiera Milano shares on the MTA Market (Mercato Telematico Azionario) organised and managed by Borsa Italiana S.p.A. in the trading session preceding each purchase transaction;
  - the maximum number of shares purchased, including treasury shares already held by the Company and its subsidiaries, as not exceeding one-fifth of shares making up the share capital;
  - the purchase of treasury shares may be made in one or more tranches, in compliance with applicable laws and regulations, including, as appropriate, permitted market practices. The buybacks of treasury shares must comply with the conditions of art. 3, Delegated Regulation (EU) 2016/1052 and with the provisions of art. 132 of Italian Legislative Decree 58/98, art. 144-bis of Consob Regulation no. 11971 issued by resolution dated 14 May 1999, and with any other applicable national or EU regulations;
- 3) authorising the Board of Directors, in accordance with law, to dispose of all or part of the treasury shares purchased, without time limits, even before the buyback authorisation is exhausted; the disposals may be made in one or more tranches, also before all purchases are exhausted, through sales on regulated and/or unregulated markets or off market, or by public offering, or as consideration for the purchase of shareholdings or, if necessary, assignment to shareholders. The selling price must not be below the lowest purchase price. This price limit will not apply if the shares are disposed of as part of stock option incentive plans. If the shares are used as part of extraordinary transactions, for example, share swaps, part-exchanges, conferrals or as part of equity transactions or other corporate and/or financial transactions and/or other extraordinary transactions and any other non-cash 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, all necessary power to make purchases or disposals and, in any event, 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

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Economic Administrative Register 1623812

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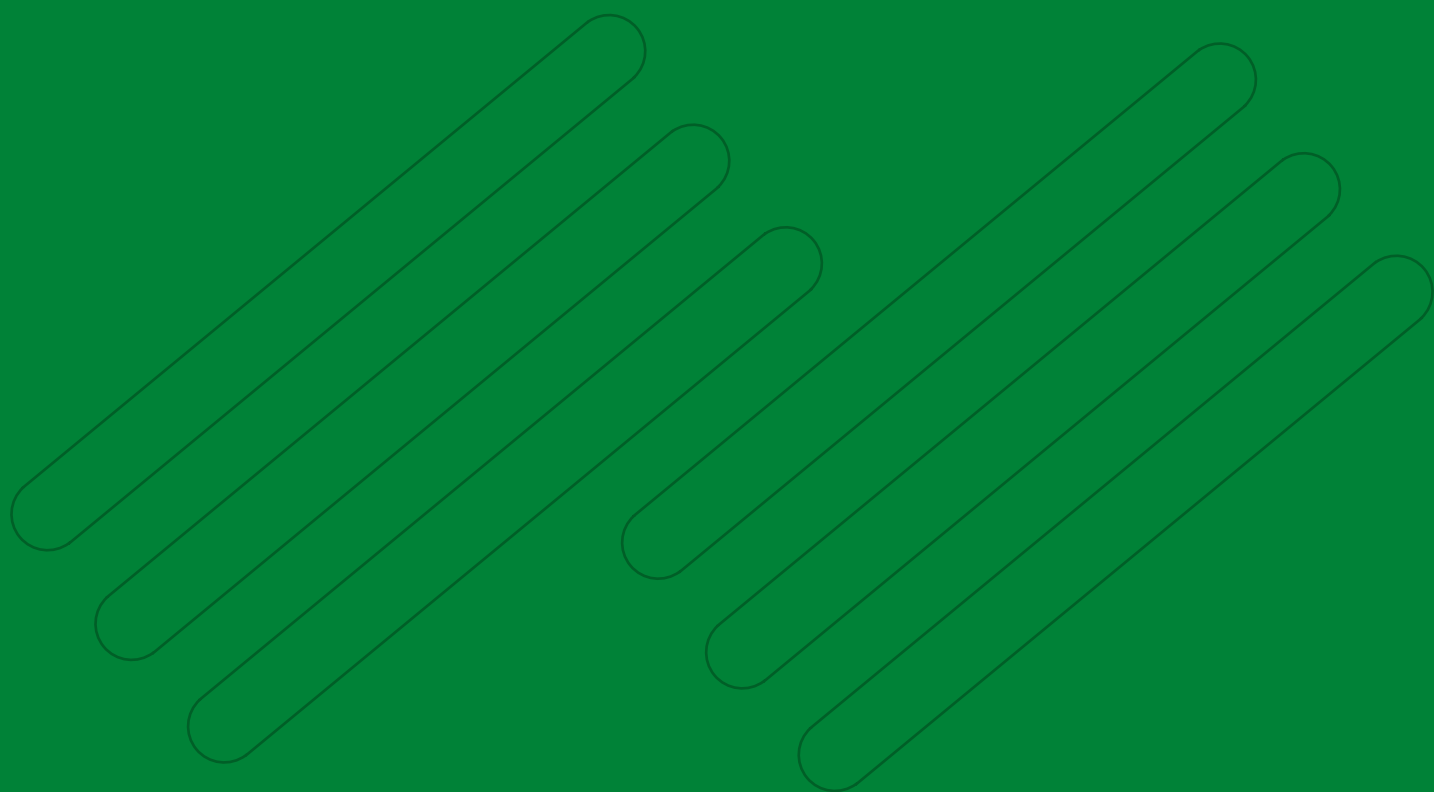
### **April 2019**

This document is available for inspection on the Company's website at [www.fieramilano.it/en](http://www.fieramilano.it/en)

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**FIERA MILANO**