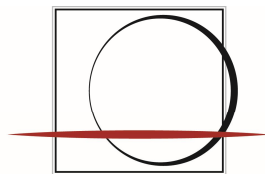


POLIGRAFICO E ZECCA DELLO STATO ITALIANO

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# **Financial Statements**

## **31 December 2017**



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

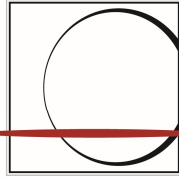
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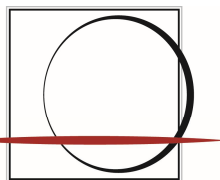
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# Report on Operations



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### Board of Directors

(Shareholders' Meeting of 19 September 2014: three-year period 2014-2016)

#### Chairman

*Domenico Tudini*

#### Chief Executive Officer

*Paolo Aielli* (appointed by the Board of Directors on 22 September 2014)

#### Directors

*Paolo Di Benedetto* (resigned with effect from 16 February 2016)

*Michele Vaira*

*Francesca Isgrò* (co-opted by the Board of Directors on 19 July 2016 and appointed by the Shareholders' Meeting of 1 December 2016)

*Laura Opilio* (co-opted by the Board of Directors on 19 July 2016 and appointed by the Shareholders' Meeting of 1 December 2016)

### Board of Statutory Auditors

(Shareholders' Meeting of 19 September 2014: three-year period 2014-2016)

#### Chairman

*Domenico Mastroianni*

#### Auditors

*Alessandra d'Onofrio*

*Roberto Montesi*

#### Alternate Auditors

*Palma Mantaci*

*Domenico Patrizi*

### Court of Auditors

(art. 12, Italian Law no. 259 of 21.3.1958)

#### Chief Magistrate

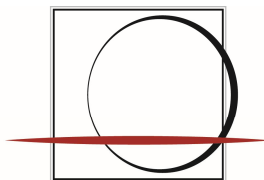
*Paolo Luigi Rebecchi*

#### Deputy Chief Magistrate

*Alessandra Pomponio* (up to 31 December 2016)

#### Deputy Chief Magistrate (from 1 January 2017)

*Francesco Vitiello*



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

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### External Audit

(Shareholders' Meeting of 7 August 2014: three-year period 2014-2016)

#### Independent Auditors

*PricewaterhouseCoopers S.p.A.*

#### Remuneration Committee

(Board of Directors, 22 September 2014)

#### Chairman

*Domenico Tudini (appointed by the Board of Directors on 26 January 2016)*

#### Members

*Paolo Di Benedetto (resigned with effect from 16 February 2016)*

*Michele Vaira*

#### Chief Financial Officer

(Board of Directors, 30 September 2014)

*Marco Cerù (up to 31 October 2016)*

*Raffaele Zappa (appointed by the Board of Directors on 27 October 2016)*

#### Supervisory Body

(Board of Directors, 15 October 2014)

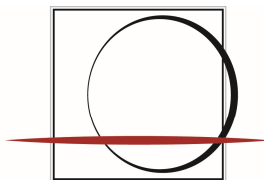
#### Chairman

*Bruno Assumma*

#### Members

*Giulio Buratti*

*Massimo Proietti*



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

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**Board of Directors**

(Shareholders' Meeting of 25 July 2017: three-year period 2017-2019)

**Chairman**

*Domenico Tudini*

**Chief Executive Officer**

*Paolo Aielli* (appointed by the Board of Directors on 28 July 2017)

**Directors**

*Elisabetta Maggini*

*Luana Labonia*

*Francesco Alessandro Caruso*

**Board of Statutory Auditors**

(Shareholders' Meeting of 25 July 2017: three-year period 2017-2019)

**Chairman**

*Alessandra d'Onofrio*

**Auditors**

*Renato Cambursano*

*Giuseppe Colucci*

**Alternate Auditors**

*Palma Mantaci*

*Domenico Patrizi*

**Court of Auditors**

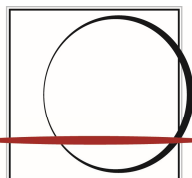
(art. 12, Italian Law no. 259 of 21.3.1958)

**Chief Magistrate**

*Paolo Luigi Rebecchi*

**Deputy Chief Magistrate**

*Francesco Vitiello*



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

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External Audit

(Shareholders' Meeting of 25 July 2017: three-year period 2017-2019)

Independent Auditors

*Ernst & Young S.p.A.*

Chief Financial Officer

(Board of Directors, 28 July 2017)

*Raffaele Zappa*

Supervisory Body

(Board of Directors, 18 October 2017: three-year period 2017-2019)

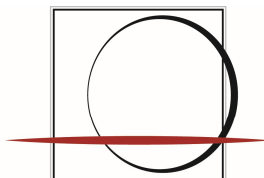
Chairman

*Tiziano Onesti*

Members

*Pietro Cavasola*

*Massimo Proietti*



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

**Main income, financial and operating figures**

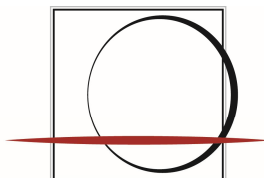
<i>Income figures</i>				
<i>(€/000)</i>		<b>2017</b>	<b>2016</b>	<b>2015</b>
Revenues		372,574	345,612	334,630
Value of production		394,896	362,595	344,588
Operating value of production		383,851	346,065	344,588
EBITDA		167,250	148,625	127,443
Operating EBITDA		156,206	143,068	127,443
Operating EBITDA/Turnover	%	41.93	41.40	38.08
Financial income		4,728	7,035	5,783
Net profit		49,765	38,958	57,900
R.O.S.	%	15.78	17.60	24.82
R.O.I.	%	7.79	6.93	9.40
R.O.E.	%	14.54	7.62	9.18

<i>Equity and financial figures</i>			
<i>(€/000)</i>	2017	2016	2015
Shareholders' equity	562,727	549,972	657,019
Net financial position	407,560	506,592	386,726

<i>Other information</i>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	
Investments (€/000)	19,345	22,431	14,370	
No. of employees at start of year	1,707	1,661	1,846	
No. of employees at year end	1,736	1,707	1,661 <sup>(1)</sup>	

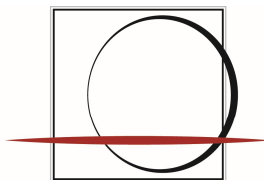
(1) The number of employees includes those on fixed-term contracts: 50 for 2016, 87 for 2015.





POLIGRAFICO E ZECCA DELLO STATO ITALIANO

Production volumes delivered (values in 000)					
Products	m.u.	2017	2016	Change	%
Pharmaceutical stamps <i>of which</i>	pc	2,466,479	2,253,031	213,448	9.47
- <i>internal production</i>	pc	2,466,479	2,004,790	461,689	
- <i>external production</i>	pc	0	248,241	(248,241)	
Prescription pads	bl	2,321	3,329	(1,008)	(30.28)
Tobacco tags	pc	3,357,000	5,168,000	(1,811,000)	(35.04)
Markings <i>of which</i>	pc	1,629,836	1,531,852	97,984	6.40
- <i>Wine markings</i>	pc	1,335,136	1,239,852	95,284	
- <i>Alcoholic beverage markings</i>	pc	294,700	292,000	2,700	
Lottery	t.sp.	329	0	329	100.00
E-passports	pc	1,848	1,754	94	5.36
Residence permits	pc	1,151	1,168	(17)	(1.46)
Electronic ID cards v. 3.0	pc	1,225	141	1,084	768.79
Card-printed and experimental ID cards	pc	3,402	9,986	(6,584)	(65.93)
Drivers licence cards	pc	7,010	8,110	(1,100)	(13.56)
Registration plates	pc	3,106	2,677	429	16.03
- <i>Car registration plates</i>	pc	2,593	2,186	407	
- <i>Moped and motorcycle registration plates</i>	pc	398	380	18	
- <i>Misc. registration plates</i>	pc	115	111	4	
Legal tender	pc	502,473	498,380	4,093	0.82



## POLIGRAFICO E ZECCA DELLO STATO ITALIANO

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Dear Shareholder,

With great satisfaction we present the positive business and economic results achieved in 2017, a year that saw further milestones reached on the path begun at the end of 2014 to build a company capable of fulfilling its duty as guarantor of public faith in an efficient, innovative manner and with a high degree of growth potential.

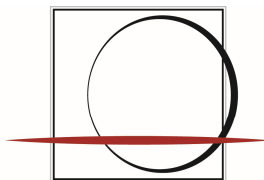
Poligrafico today is a distinguished centre of expertise for Italy, capable of integrating and managing complex security issues, both physical and logical, fully aware of its need to oversee sectors that are of particular importance to the general public such as the physical and digital identity of the citizens, anti-counterfeit measures in essential products such as drugs and foodstuffs, the processing of sensitive information and coinage.

Management action is focused on achieving improved product portfolio management to consolidate further improvement of the production processes, logistics, efficiency benchmarks, professional skills and optimisation of the cost structure.

In deferring to specific sections of this report for a detailed description of activities carried out by Poligrafico, it is important first and foremost to remember the new Electronic ID Card (EIC) project. Launched at the end of 2016 after almost twenty years of testing, the project is based on advanced technical characteristics, aligned with international best practices, and represents a key element in the process to modernise the Italian Public Administration. The EIC, in fact, plays a fundamental role in the plan for defining and protecting the physical and digital identity of citizens, ensure international interoperability through compliance with the ICAO standard, already adopted at global level for passports, and at the same time acts as an enabling platform for the provision of services by public and private entities.

In compliance with the Ministry of the Interior's programme, in 2017 the gradual installation of 2,689 workstations occurred, designed for the EIC issue process in 1,484 Municipal Authorities, at year end reaching over 70% coverage of the resident population. Overall, from the start of the project to the end of 2017, around 1.5 million cards have been issued and, through a further 7,000 workstations, total coverage of Municipal Authorities will be guaranteed in 2018 and, by the end of June 2018, it is expected that the level of 100,000 issues per week will be exceeded.

The EIC project is an essential paving stone in the path to technical and functional convergence with other electronic ID and travel documents (passports and residence permits), guaranteeing high levels of security, efficiency and optimisation of production, issue and control processes, also through the adoption of a centralised customisation process.



## POLIGRAFICO E ZECCA DELLO STATO ITALIANO

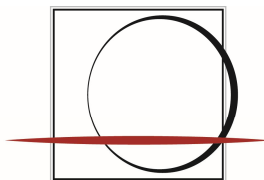
In 2017, the production of lottery tickets became fully operational. The related contract was added to our product portfolio at the end of 2016, after three years of business disruption, under the terms of a specific industrial agreement with the Lottomatica licence holder.

As part of the judicial and legal databases, we note the company's continued commitment to completing the digitisation of the regulatory corpus of the Italian State from the Unification to date, and the "Normattiva" project, coordinated by the Prime Minister's Office with the House of Representatives, the Senate and AGID. The new boost to this project involves the use of innovative skills and technologies for the provision of a complete service that is reliable and gives free access to Italian laws. In 2017 the activities to integrate the Official Gazette database with documents published from 1861 to 1932 was completed, and in 2018 it is expected that the updating to include all regulatory acts issued since the Unification of Italy will be completed.

The 2017 turnover of the Company was more than € 370 million, recording a further improvement on previous years, benefiting not only from the EIC dissemination process and lottery-related activities, but also from the positive trend in demand for other products, such as electronic passports, registration plates, pharmaceutical stamps and wine markings. The latter segment which saw the voluntary inclusion among Poligrafico customers of new consortia, as recognition of the validity and effectiveness of the product in terms of anti-counterfeit measures, traceability and product protection.

For pharmaceutical stamps, the year 2017 marked the completion of the production insourcing process, to the benefit of security and quality, unlike the situation up to 2014 when this activity was largely entrusted to external companies. Strong lobbyist action to change the system was also seen for pharmaceutical stamps, to the detriment of the security of citizens and the effective control of a major item of public spending. Poligrafico is proposing additional and more advanced solutions to guarantee increasingly high levels of security that take into consideration the claims of citizens, producers and the State.

The strategy for increasing the level of direct monitoring of certain business process does not end with this environment itself. In fact, consistent with its mission as guarantor of the public faith, the Company is insourcing the distinctive planning skills and capacities required for production most sensitive in terms of security, thereby reducing the risk of dependency on technologies owned by third parties. A series of major business industrial investments was therefore launched, with particular reference to the special high-level security/watermarked paper, holography, electroplating for coinage, the production of specific semi-finished products for electronic passports (inlay and polycarbonate page). System works will end during 2018 and in the first part of 2019, allowing Poligrafico to



## POLIGRAFICO E ZECCA DELLO STATO ITALIANO

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effectively control the integrated production cycles, have a technologically advanced manufacturing structure where digitisation will be pervasive, to acquire a strong positioning among the leading international operators and to create space for new commercial opportunities.

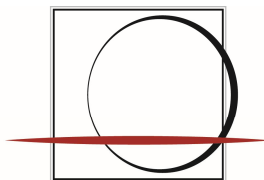
In investment terms, the launch of a new project is planned to construct a registration plates production line at the Verrès plant, innovative from a technological point of view, which will be installed in 2018 and work alongside the suitably modernised pre-existing line at the Foggia plant.

With regard to information technology, the activities and actions undertaken in 2017, which will be completed in the three-year period 2018-2020, aim to provide significant support to projects for the security, innovation and digital transformation of the company through stronger process efficiency, capable and rational use of ICT resources, ensuring protection of the information and data assets of the company. In this respect, the works will focus on strengthening the physical infrastructures, the Data Centers and the Cloud, implementation of advanced tools for the generation and dissemination of digital services, security systems, protection and safeguarding of information.

The new model of looking to innovation in doing business translates to a constant and growing attention to research and development activities. The commitments associated with the development of new materials, innovative solutions and the strengthening of security and anti-counterfeit requirements on core products have continued, as well as those relating to the development of ICT solutions for the provision of new value-added services. The strengthening of research activities was realized through the assessment and enhancement of internal skills and through partnerships with excellent centres and universities in Italy, triggering a major development of skills that will allow your Company to stand effectively alongside other international operators and know how to promote technological and market changes. In this sense, important partnerships have been set up with Università La Sapienza in Rome and with Bari Polytechnic, along with those already established, worthy of note among which is that with the Bruno Kessler Foundation.

It is also our duty to mention continuation of the Company's commitment to real estate asset management, giving preference to aspects of rationalisation, upgrading of premises for production use at all the plants and modernisation of management offices, also with a view to improving the well-being of workers and improving efficiency.

Innovation and change must go along with a process of enhancing the workforce and strengthening internal professional skills, both technical and managerial. In 2017, whilst 117 employees left the company, 196 were recruited, giving a total workforce at year end of



## POLIGRAFICO E ZECCA DELLO STATO ITALIANO

1,736. Furthermore, greater attention was finally paid to training and dissemination of the performance culture, with particular reference to project management.

The organisational structure was also rearranged with the aim of more effective and rational governance, oriented to facilitating the implementation of business strategies and giving greater quality to management decisions.

The Company considers sustainability to be a fundamental objective in its decisions. In fact, we consider that our contribution at business level, in line with the company's specific mission and over and above achieving positive financial results, must offer benefits to the community, generating positive impacts in environmental and social terms. From an internal point of view, a major agreement was reached with the trade union to extend the company welfare bonuses.

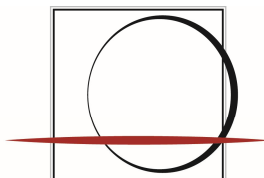
In this respect, worthy of note is the achievement in 2017 of the voluntary international certification of the FSC (Forest Stewardship Council) Custody Chain. The purchase and marketing of certified raw materials offers guarantees to the market in terms of the source of wood or paper used in our products, demonstrating our active contribution in a fair, transparent and controlled manner to responsible forestry, a significant aspect in relation to company activities.

Furthermore, in 2017, the Company was successful in passing the audit for voluntary upgrading of the Environment Management System to the new UNI EN ISO 14001/2015 standard, confirming its interest in having and keeping up to date a management system suited to keeping the environmental impact of its activities under control and to systematically improving its performance.

The demanding environmental qualification activities continue seamlessly, especially as regards the Foggia plant where, amongst other things, the use of groundwater in production has been restored which also offers significant savings in terms of costs due to removal of the need for external procurement.

In terms of income and profit, 2017 closed with particularly positive results, even exceeding the predefined targets:

- operating EBITDA reached € 156 million (around 42% of the turnover), positioning it higher levels than those of 2016 which were already satisfactory;
- EBIT stood at €70 million, after recognizing further specific write-downs of receivables related to transport and portage services for common printing provided to the Ministry for Economy and Finance for around €48 million;
- the profit for the year was €49.8 million, after taxes for the year of €35.4 million and € 10.6 million in deferred tax assets;



## POLIGRAFICO E ZECCA DELLO STATO ITALIANO

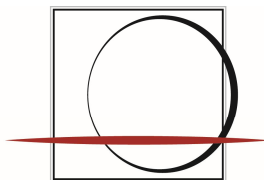
- the self-financing capacity, together with the liquidity ratios, remains particularly positive and allow the Company to face with certainty the demanding current and prospective plan of technical, ICT and property investments, as well as deferred-income strategic plans.

The only cause for uncertainty remains that linked to failure to obtain MEF approval of the receivables for banknotes and plain paper, which amounted to €724.2 million with related VAT payable of €460.2 million. Despite the balances being verified and confirmed, approval of the related statements that would allow a more realistic presentation in the financial statements has not yet been given. The position by age range of receivables is as follows:

<b>MEF receivables</b>				
<i>breakdown by age of receivables</i>				
	period	banknotes	plain paper	<b>total</b>
statements	2007-2011	292,619.00	83,279.00	<b>375,898.00</b>
statements	2012-2017	199,204.00	(24,326.00)	<b>174,878.00</b>

In view of the above, the Company decided to carry forward the profit as retained earnings.

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## POLIGRAFICO E ZECCA DELLO STATO ITALIANO

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In October 2017, the Board of Directors approved the 2018-2020 Business Plan, which in terms of objectives and strategies is deeply consistent with what was envisaged, and implemented, in the three previous editions of the plan and identifies the path forward to further strengthening the Company's role as guarantor of the public faith through: improving security levels for the physical and digital identity of Italians, tracking and anti-counterfeit measures for products critical to health, management and development of sensitive databases, and enhancement of the cultural, coin collecting and stamp collecting heritage of the country.

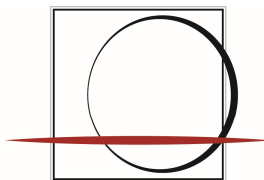
Poligrafico will not cease investing in its future, with around €300 million in investments planned over the three-year period. The strategic priorities remain: economic and financial solidity, the pervasive nature of innovation and the dissemination of automation and digitisation in business processes, an incisive capacity to build solutions that benefit citizens and the Public Administration, research into new trade opportunities, enhancement of the ICT infrastructures and of company security, and personnel management that guarantees a high degree of professionalism, flexibility and skills.

Poligrafico will also continue to strive for an integrated vision of its operating methods, combining specific business and profit objectives with those of benefit to the community (implicit in the company mission and the features of the services and products provided) and social and environmental responsibility, including with the preparation of a specific report.

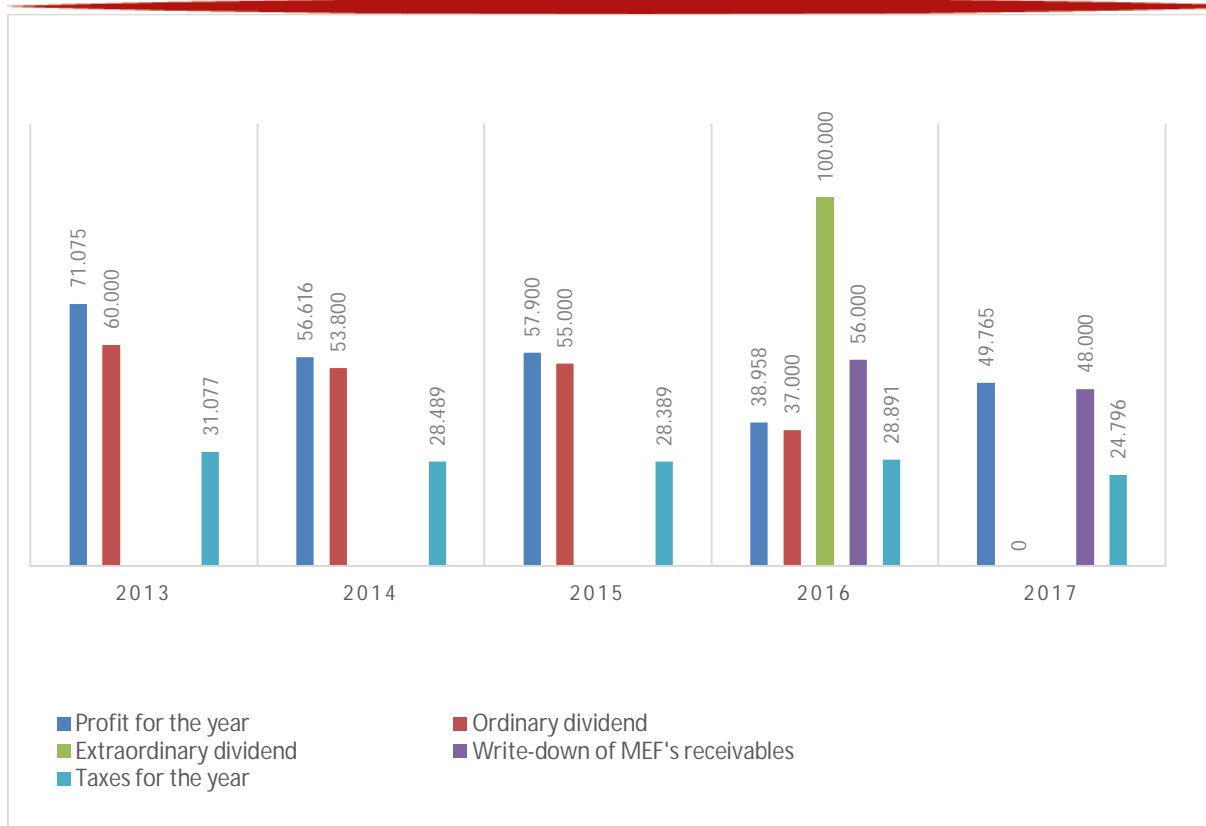
We are confident that the business objectives laid out will give a further boost to the virtuous path undertaken by your Company and strengthen its capacity to operate under market conditions and with the highest standards of innovation, pursuing goals of public interest.

The determination shown by management and personnel will be highly important and, as always, we count upon our Shareholders' faith in us and in the people working with us who work hard every day to contribute to the Company's results.

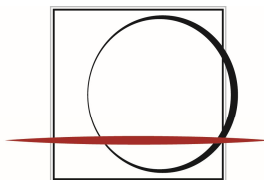
To all we wish to express our sincere thanks for having made Poligrafico better, and for having provided a better service to the public and to the Public Administrations.



## POLIGRAFICO E ZECCA DELLO STATO ITALIANO







## POLIGRAFICO E ZECCA DELLO STATO ITALIANO

### Summary of results for the year

In 2017, Poligrafico achieved turnover of €372.57 million, up 7.8% on 2016. The following were recorded in particular:

- a positive performance for electronic passports, ID cards, pharmaceutical stamps, registration plates, wine and alcoholic beverage markings, the lottery, Official Gazette inserts, medallion minting and the RAI contract;
- a negative trend for prescription pads, revenue stamps and postage stamps, tobacco tags, licences, coin and medallion collections, electoral material and the minting of legal tender.

The breakdown of turnover in the main business segments is as follows:

Turnover (in €m)	2017	2016	Change	%
ID documents	107.45	91.20	16.25	17.82
Security prints	118.90	115.40	3.50	3.03
Registration plates	64.80	55.25	9.55	17.29
Electoral graphics	10.00	20.54	(10.54)	(51.31)
Legal and Administrative	31.84	30.52	1.32	4.33
Coin and medallion minting	37.49	30.83	6.66	21.60
Other activities	2.09	1.87	0.22	11.76
<b>Total</b>	<b>372.57</b>	<b>345.61</b>	<b>26.96</b>	<b>7.80</b>

Specifically:

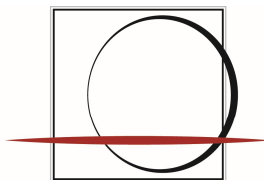
#### *ID documents*

2017 can be considered a year of continuity and a driver of new highly strategic projects, that have begun to have a positive effect on the commercial and economic results.

In particular, 2017 saw continuation of the rollout plan for the new electronic ID cards. The process of mass dissemination of this document, following the strong distribution of workstations across the country, has called for a gradual increase in production, rising from 2,500 cards per day in January 2017 to 8,000 per day in December 2017. The millionth card was issued in October.

At the end of 2017 a total of around 1.4 million documents had been released since the project's launch and 1,681 Municipal Authorities had been equipped for their issue, covering 72% of the population.

As regards the technological infrastructure for the issue of EICs, the installation of production and customisation systems was completed at Poligrafico's Banknote Printing



## POLIGRAFICO E ZECCA DELLO STATO ITALIANO

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Works and expansion of the hardware and software systems began at the CED (National Demographic Services Centre) at the Prime Minister's Office.

During the year, Poligrafico launched multiple EIC promotion initiatives, such as the platform enabling the provision of physical and digital services, capable of considerably extending the levels of security in identity control and authentication to access them.

In this respect, Poligrafico consolidated its close partnership with the Digital Transformation Team of the Prime Minister's Office.

This association had positive effects for Poligrafico in that it allowed the participation in PA digitisation events. In particular, note Poligrafico's presence at the Hackathon event, at which the EIC project was presented, proving to be the most advanced in terms of its technological platform and meeting with the interest of developers that used the platform as the basis for creating access services with varying levels of security.

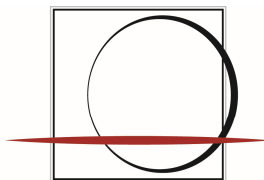
2017 saw the continued development and upgrading of the mobile app IdEA (IdentityEasy Access) linked to the EIC project with release of the latest version in June.

Issue of the new residence permit (PSE 380) continued in compliance with Regulation (EC) 380/2008 at all magistrates courts in Italy.

Around 1.2 million residence permits were delivered in 2017, up slightly on the 2016 figure. The positive trend continued in the demand for electronic passports from the Ministry for Foreign Affairs, also with respect to the budget estimate. Around 1.8 million passports were delivered, addressed to Magistrates Courts and State Police stations in Italy and to Embassies and Consulates in other countries. The agreement was renewed with the Vatican State and the Holy See for the issue of new electronic passports. To this end, a new document was designed with a page in polycarbonate as a result of the technological upgrade of the related hardware infrastructure and issue software. In particular, Poligrafico used innovative technology, patented in-house, issuing a passport robust as regards anti-counterfeit measures and responding to the industry's security trends.

The technological upgrade of the Central and Security Systems for the Issue of Electronic Passports and Residence Permits was completed at the Ministry for the Interior and implementation of the Disaster Recovery site in Bari began. The tender was also published for renewal of the support services for peripheral infrastructures relating to Electronic Passports and Electronic Residence Permits.

Action began to obtain ISO 27001 security certification for the Public Key Infrastructure, for verifying documents held at the CEN in Naples, as required by the Ministry for the Interior.



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The public administrations have shown a growing interest in security products, such as the ATe cards, personal ID cards in electronic format. During 2017, requests were received for the supply of such documents from the Carabinieri and Fire departments, with delivery of a total of roughly 22,000 customised versions and around 55,000 non-customised versions.

### *Registration plates*

2017 recorded a positive performance for car registrations, for a total of 1,970,497 vehicles with a 7.9% increase with respect to the previous year (already up 15.8% compared to 2015), reaching the 2010 levels. This performance had a very positive effect on deliveries, which were up by 13.8% with a turnover of €59 million.

The delivery performance of registration plates for motor vehicles and motorcycles was also positive (+5%), achieving turnover of around €4.0 million.

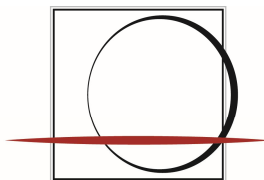
### *Security prints*

The turnover for tobacco tags was affected by the considerable increase in supplies in 2016, which predictably led to lower demand from the Customs and Monopolies Agency while stocks were consumed, also in view of the introduction of the new tag planned from 2019 in compliance with the directive on tracking and tracing tobacco products. The turnover was € 8.2 million (-35.4%).

The demand for wine markings continued to rise, with a structural increase in turnover that in 2017 reached €12.7 million (+7% compared to 2016), due to the voluntary adoption of the DOC protection markings by a number of winemakers, with a gradual increase in market shares. A decline in demand was recorded, however, for alcoholic beverage markings. Despite the unfavourable trend in requests, turnover in 2017 (€9.9 million) remained almost unchanged compared to 2016, in that it was offset by the stronger demand from the Customs and Monopolies Authority for the replenishment of its inventories.

The revenue stamps and postage stamps segment saw a further significant decline (-22%) compared to the previous year due to a market that continues to feel the effects of technological development in the sector and the decisions of Italian Post Office customers (introduction of electronic franking to replace traditional postage stamps). The turnover was €3.2 million.

The turnover for prescription pads (€ 5.1 million) also fell strongly compared to the previous year (-30%) due to the gradual spread of electronic prescriptions and resulting consumption of stocks held by the Regions and Autonomous Provinces. After completing the insourcing of the production of pharmaceutical stamps, in 2017 all the production was at



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Poligrafico's Rome and Foggia sites. The billionth stamp was produced at the Foggia plant in October. The quantities delivered reached a particularly high level (2,466 million stamps), up on 2016 and with turnover of €60.2 million, reaching a value very close to the peak achieved in 2015 (€ 60.6 million). The migration of stamp orders was completed during the year from the old system based on exchange of printed documents (via fax) to the new Stamps Portal, on which all functions necessary for submission and acceptance of orders and the monitoring of production and delivery stages have been implemented. The development and enhancement of after-sales activities is planned during 2018.

2017 was also characterised by the full operational start-up of the production of Lottery ticket receipts, recording an increase in turnover of around €6.6 million.

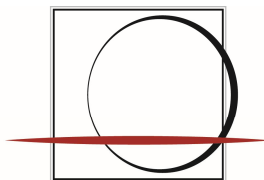
In terms of product traceability, Poligrafico continued its project planning activities and the related sensitisation of institutions and public opinion, designed to acquire new contracts in the agri-food industry and other product segments, where the risk of counterfeit is high.

Again as regards anti-counterfeit and traceability, particular emphasis was placed on technological integration between physical security and logical security, with the design of applications to verify the authenticity of products and traceability of the chain which were made available to authorities and consumers in 2017. One example is the application used to verify the authenticity and source of DOCG and DOC protected wine products, available starting from the 2017 edition of Vinitaly. On that occasion, Poligrafico was committed to bringing all the initiatives launched to the attention of the authorities, also involving some of the leading Italian companies. To this end, sensitisation activities were developed as part of the memorandum of understanding with the Ministry for Economic Development, Italian Patents and Trademarks Office, and a joint service was set up known as the Anti-counterfeit Helpdesk to disseminate the culture of intellectual property, anti-counterfeit and market security.

### *Electoral graphics*

In 2017, local elections were held in 1,010 Italian municipalities (161 municipalities with a population of over 15,000 inhabitants and 849 with up to 15,000 inhabitants) and in relation to consultations for the renewal of executive bodies covering lower population density areas. The turnover amounted to €5.8 million.

The turnover in publications and forms was € 3.6 million, essentially in line with the previous year.



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### *Legal and Administrative*

Poligrafico turnover in 2017 benefited from the increase in turnover of the Official Gazette, recording a total increase of 5.7% due to the higher number of inserts (+4%) and their average value (+1.6%).

Activities to gather ads via web interface continued, allowing individuals requiring inserts to interact directly with Poligrafico, now accounting for 87% of total inserts managed.

The contribution from the MEF for the online Official Gazette was €4 million.

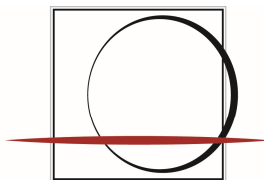
As regards the Gazette, note the major integration of the database with numbered and unnumbered regulatory acts published from 1861 onwards, which has made the entire Italian corpus of laws available free of charge in the versions worded as originally published in the Official Gazette which, after more than 10 years since the start of the project, completes it and finally makes consultation over multiple periods possible.

For this reason, the “Normattiva” project continued, which allows members of the public to access the contents of regulatory acts with the option of displaying the original version of the text or with any amendments displayed in chronological order, or even in force at a date specified by the user, thereby enhancing supply in the web-based segment supporting Public Administration. The Agreement was signed with the Prime Minister’s office in December which, during 2018, envisages the multi-version release of numbered acts published in the Official Gazette from 1861 to 1935.

In parallel, development, implementation and maintenance continued of other Information Portals and the dematerialisation services organised for Public Administration. Of note in particular is the release of the new version of *Sistema Modus*, the electronic forms portal hosting all PA forms, through which it is possible to submit procurement orders via web and carry out the supervisory/control activities under MEF responsibility.

Among the activities worth mentioning from 2017 are:

- the design and release of the new “*Portale del Massimario*” for the Supreme Court of Cassation;
- completion of the “*Lingua Italiana nel Mondo*” Portal for the Ministry for Foreign Affairs and International Cooperation;
- completed implementation of the “*Politica Estera e Storia*” Portal, again for the Ministry for Foreign Affairs;
- the online release of the latest version of the “*Città del Libro*” Portal for the Books and Reading Centre of the Ministry for Cultural Heritage and Activities and for Tourism;
- continuation of preliminary activities for implementation of the “*Invito alla Lettura*” Portal;



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- continuation of maintenance and editing activities for the “Trova Norme e Concorsi” Portal and the launch of design activities for the “Malattie Rare” Portal on behalf of the Health Ministry;
- continuation of online publication and printing activities for the Coin Collectors’ Bulletin as part of the “Portale Numismatico dello Stato”, and book presentations at the National Roman Museum (edition on Materials no. 35, “Monete Arabe”) and the Zecca Museum (edition on Studies and Research no. 3, “Benedetto Pistrucci. Carte autografe e altri documenti”).

2017 saw the State Library, national point of reference for the dissemination of awareness of Italian cultural and artistic heritage, involve in the achievement of the following objectives:

- revitalising Poligrafico’s role as the printer/editor for Public Administration, through the acquisition of institutional contracts (with possible circulation add-ons for sale) and through the implementation of Poligrafico initiatives under the “Libreria dello Stato” trademark.
- monitoring the PA for the renewal of major agreements (e.g. ISS - Farmacopea, renewed for a further 5 years).

The publishing segment’s activities in 2017 were characterised not only by the planning and scheduling of new publications to meet the objectives described above, but also systematic parallel activities to streamline and improve the management efficiency of the stock of published materials with a view to reducing costs, without losing sight of the criteria of economic convenience and opportunity. These activities continued in the first half of 2017 with the streamlining project for Editalia published inventories, taken over by the company following the partial demerger, for sale to the Istituto della Enciclopedia Italiana of Editalia sales activities and subsequent transfer to Poligrafico of the General Administrative Services business segment.

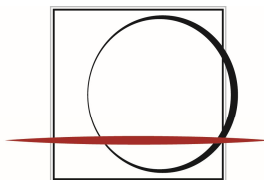
Also worthy of note is the contract received from the MIUR on the 70th anniversary of the Italian Constitution, which saw Poligrafico involved in activities preliminary to the print setting of books and in the local distribution plan for deliveries.

### *Coin and medallion minting*

For 2017, the Ministry for Economy and Finance requested a coinage contingent to be minted for circulation amounting to 526 million coins, up significantly on the 403 million ordered in the previous year.

Demand concentrated on the 5, 2 and 1 cent “copper” coins (89% of the total contingent).





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Of this contingent, a total of 389 million coins were delivered during, plus 113 million coins from the previous year's contingent.

The total quantity of coins delivered is in line with the previous year at 502 million (498 million in 2016).

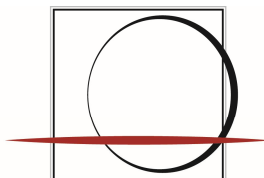
Production of the contingent was completed in November 2017 to facilitate the start-up of activities preliminary to 2018 minting. In this respect, the impact that art. 13-quater will have should be emphasised, added on conversion to law of Italian Law Decree 50/2017, which established that from 1 January 2018 Italy would suspend the minting of 1 and 2 Eurocent coins.

The negative trend continues for coin collection products, essentially due to falling demand from collectors and from the buyers San Marino and The Vatican. The 2017 turnover was € 4.5 million, down 8% compared to the previous year.

With reference to 2018 production of coin collections, 2017 saw the signing of a sales contract for coins dedicated to the 2018 World Cup to be held in Russia, with a request for 15,000 coins.

Worthy of note are the coin collection sales initiatives launched in 2017, particularly the coin dedicated to celebrating the 50th anniversary of the death of Totò and that dedicated to the 60th anniversary of the first Fiat 500. Both initiatives met with enormous success, with sales results over and above expectations.

Lastly, medallion minting received a positive impact from the increase in orders from Editalia, recording a marked increase on 2016, with turnover reaching around €2.4 million. For the RAI contract, the turnover was €11.8 million, positively affected by the deferral of orders from the previous year.



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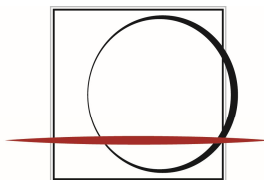
## Analysis of the financial position, results and financial structure

The *income statement*, reclassified according to the nature of items and illustrated below, shows net profit for the year of €49.8 million, after write-down of receivables and non-recurring provision for €74 million and after recognizing income taxes for the year of €35.4 million and deferred tax assets for €10.6 million.

Reclassified Income Statement (values in €'000)	2017	2016	Changes
Revenues from sales and services	372.574	345.612	26.962
Change in inventories of work in progress, semi-finished and finished products	21.307	(346)	21.653
Change in contract work in progress	(10.738)	(3.018)	(7.720)
<b>Generated during the year</b>	<b>383.143</b>	<b>342.248</b>	<b>40.895</b>
Purchase of raw materials, consumables and goods for resale	(60.845)	(45.430)	(15.415)
Change in inventories of raw materials	3.094	1.431	1.663
Services	(64.574)	(58.922)	(5.652)
Use of third party assets	(1.786)	(1.294)	(492)
Other operating costs	(4.786)	(14.428)	9.642
Other revenues and income	11.753	20.346	(8.593)
<b>Value-added</b>	<b>265.999</b>	<b>243.951</b>	<b>22.048</b>
Personnel costs	(98.748)	(95.326)	(3.422)
<b>EBITDA</b>	<b>167.251</b>	<b>148.625</b>	<b>18.626</b>
Amortisation/Depreciation	(23.277)	(28.750)	5.473
Allocations and write-down of receivables classed as current assets	(52.141)	(41.030)	(11.111)
<b>EBIT</b>	<b>91.833</b>	<b>78.845</b>	<b>12.988</b>
Extraordinary allocation to risk provisions	(22.000)	(18.011)	(3.989)
<b>Adjusted EBIT</b>	<b>69.833</b>	<b>60.834</b>	<b>8.999</b>
Financial income	5.042	7.410	(2.368)
Interest and other financial charges	(314)	(375)	61
Adjustments to financial assets	0	(20)	20
<b>Profit before tax</b>	<b>74.561</b>	<b>67.849</b>	<b>6.712</b>
Taxes for the year	(24.796)	(28.891)	4.095
<b>Profit for the year</b>	<b>49.765</b>	<b>38.958</b>	<b>10.807</b>

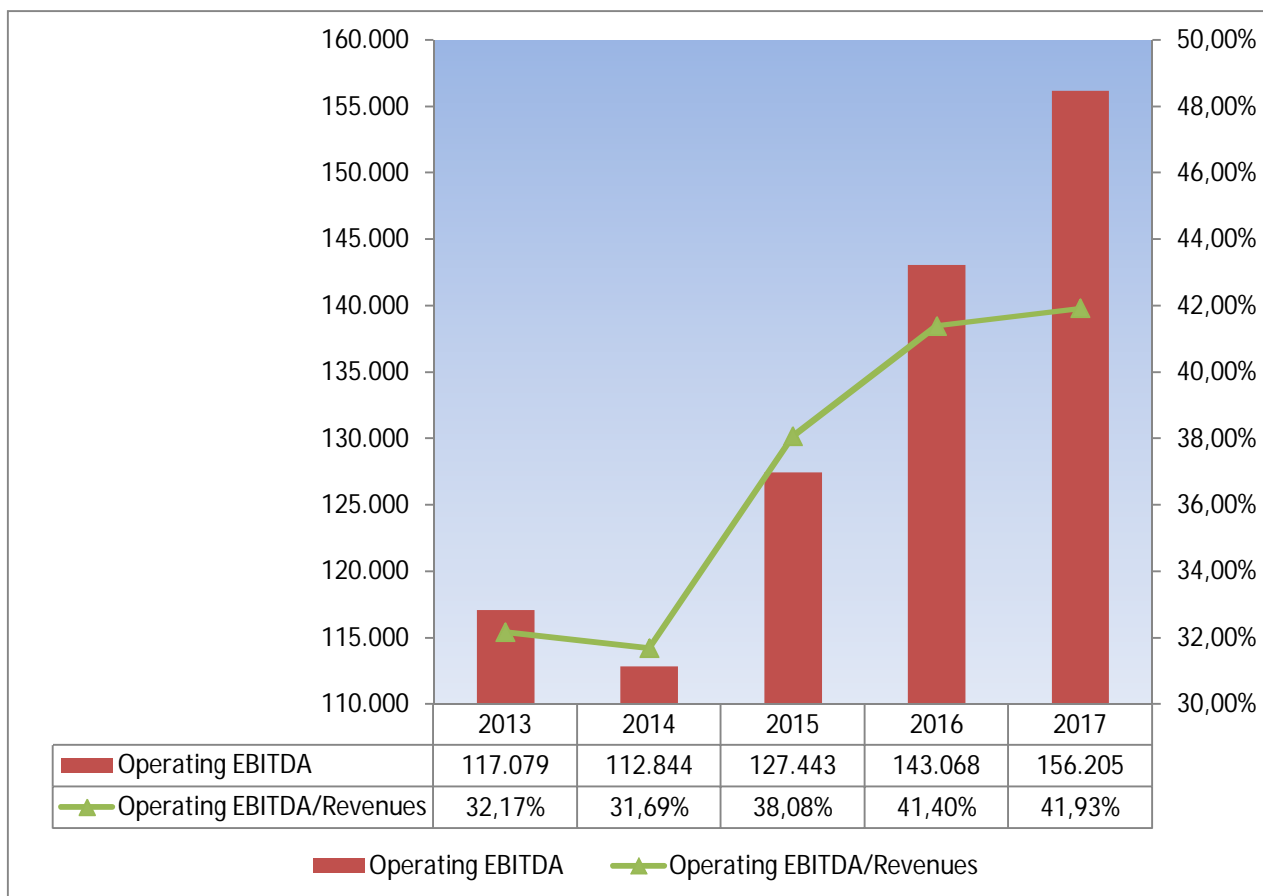
EBITDA reached €167 million and represents around 44% of turnover, up compared to 2016, whilst EBIT, before extraordinary provisions for risks, represents approximately 24% of the year's business volume and reached €92 million.

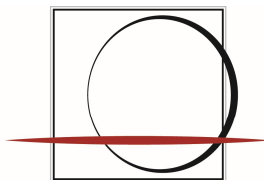




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Operating EBITDA (excluding non-recurring income/loss components and not strictly related to the company's operations) also recorded a particularly positive performance, increasing from €143 million in 2016 to €156 million in 2017.





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Seamlessly with the action begun in previous years, that carried out in terms of organisational streamlining of manufacturing processes and support activities, strategic insourcing decisions regarding certain activities, and the watchful and proactive management of goods and services procurement processes, have led to the achievement of positive results confirmed by constant improvement of the financial ratios.

During the year, intense activity continued for the control and rationalisation of costs for goods and service purchases so as to ensure affordable, quality conditions in line with the general policy of spending review, through the expansion of awards via competitive tenders and improvement of the budgeting process with aggregation of the internal demand. In percentage terms, these elements have allowed the impact of the purchase costs of materials (16%) and services (18%) on production for the year to remain almost constant.

In addition to previous comments on the turnover for all the other main aggregates, note the following:

- *costs of production* increased as a result of a significant increase in production volumes, partly offset by cost control action, the effects of insourcing and public tender procedures, and inventory rationalisation. In particular, costs increased for the purchase of precious metal and those relating to postal charges for the delivery of Electronic ID Cards;
- *value added*, amounting to €266 million, represents around 69% of production for the year. This item also includes adjustments to receivables due from the Ministry for Economy and Finance;
- *labour costs* (€98.7 million), up on the previous period (around 3.6%) due to the higher average number of employees (110.4 more on average), partially offset by management initiatives in terms of workforce turnover, with the resulting drop in the average unit cost to the company.

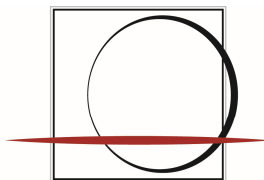
In 2017, 117 employees left the company and 196 were recruited.

*EBITDA* stood at €167 million, up by around 12% on 2016 and, as a result of the changes referred to above, accounting for around 44% of the year's result;

- *amortisation, depreciation, provisions and write-downs* for the year totalled around €75.4 million.

The amortisation and depreciation reflect the contribution of investments in the reporting period.

Taking into consideration that the judicial and administrative procedure for the settlement agreement slowed, the company prudently allocated a further specific bad debt provision

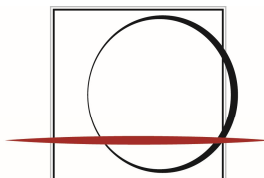


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(€48 million) to cover the total receivable relating to transport and portage services for common printing provided to the Ministry for Economy and Finance in the period 2002-2006;

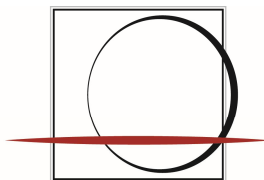
- *extraordinary provisions for risks and charges*, for €22 million, refer to the adjustment to risk provisions in relation to activities, pending finalisation, for environmental restoration of the Foggia plant, as well as for property consolidation and safety works and company restructuring;
- the *financial management balance* was positive for around € 4 million: the returns achieved on demand and term loans of liquidity temporarily available were down due to a lower average equity and as financial market conditions were characterised by short-term banking interest rates of near zero. Given the situation described above, Poligrafico was able to record positive closing returns by opening restricted short-term current accounts that minimised the risks yet earned interest;
- *income taxes* refer to IRES for €28.3 million, IRAP for €7.1 million and deferred tax assets recognised for IRES purposes for around €10.6 million.



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The *Balance Sheet* was reclassified as illustrated in the following table, highlighting the balances for 2017 compared to those of the previous year.

<b>Capital structure analysis</b>	<b>(values in €000)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Change</b>
Subscribed capital unpaid		32,817	65,634	(32,817)
<i>Fixed assets:</i>				
intangible		3,221	1,628	1,593
tangible		130,543	123,734	6,809
financial:				
- equity investments		24,548	23,459	1,089
- capital expenditure not yet paid		(15,750)	(15,750)	0
- receivables and other securities		27,720	28,199	(479)
<i>subtotal financial fixed assets</i>		36,518	35,908	610
	<b>Total fixed assets</b>	<b>170,282</b>	<b>161,270</b>	<b>9,012</b>
<i>Working capital</i>				
Inventories		57,949	43,823	14,126
Trade receivables		44,577	30,099	14,478
Receivables due from subsidiaries, associates, parent companies and companies under parent company control		617,710	699,375	(81,665)
Capital injections not yet received		32,817	32,817	0
Tax receivables		28,739	15,136	13,603
Short-term investments		0	2,718	(2,718)
Other assets		4,940	2,229	2,711
Accruals and deferrals		5,311	2,329	2,982
Trade payables		(61,265)	(48,936)	(12,329)
Payables due to parent companies, subsidiaries and companies under parent company control		(113,760)	(146,851)	33,091
Tax and social security payables		(470,162)	(520,696)	50,534
Provisions for risks and charges:				
- provision for transformation costs		0	(6,417)	6,417
- other provisions for risks and charges		(158,160)	(152,075)	(6,085)
Other liabilities		(13,786)	(112,586)	98,800
	<b>Total working capital</b>	<b>(25,090)</b>	<b>(159,035)</b>	<b>133,945</b>
<i>Invested capital (less current liabilities)</i>		<b>178,009</b>	<b>67,869</b>	<b>110,140</b>
Post-employment benefits		(21,136)	(24,489)	3,353
	<b>Invested capital (less liabilities for post-employment benefits)</b>	<b>156,873</b>	<b>43,380</b>	<b>113,493</b>
Funded from:				
Own funds:				
Share capital		340,000	340,000	0
Reserves and retained earnings		172,962	171,014	1,948
Profit for the year		49,765	38,958	10,807
	<b>Total own funds</b>	<b>562,727</b>	<b>549,972</b>	<b>12,755</b>
Medium/Long-term borrowings		36,870	67,204	(30,334)
<i>Short-term borrowings (net cash and cash equivalents):</i>				
Cash, cash equivalents and current financial receivables		(473,058)	(626,867)	153,809
Net debt		30,334	53,071	(22,737)
	<b>Total net cash and cash equivalents</b>	<b>(442,724)</b>	<b>(573,796)</b>	<b>131,072</b>
	<b>Total funding</b>	<b>156,873</b>	<b>43,380</b>	<b>113,493</b>



The most significant changes and balance sheet assets and liabilities referred to:

- *subscribed capital unpaid* due from the Shareholder, the Ministry for Economy and Finance: this item, which refers to the medium/long-term portion of these receivables, decreased as a result of payment of the amount due for the year of €32.8 million.

*Fixed assets* totalled €171 million, up on 2016 due to the following trends:

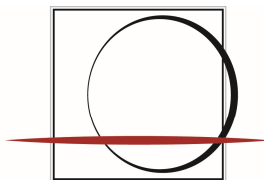
- *intangible assets*: €3.2 million, up €1.6 million on 2016. During the year, software programmes and licences were capitalised (€4.1 million), whilst the amortisation for the year was €2.5 million;
- *tangible assets*: €130.5 million compared to €123.7 million in 2016. The change is attributable to investments made for the year (€16.5 million), net of amortisation and depreciation for the year (€21.5 million), disposals, sales, reclassifications (€0.2 million) and advances (around €12 million).

As a result of the application of OIC 16, tangible assets no longer used in the production cycle and held for sale were reclassified among current assets and measured at the lower between the net book value and the estimated realisable amount, as deduced from market trends.

- *financial assets*: €36.5 million (€35.9 million in 2016). The change reflects the subscription to the share capital increase approved by the Istituto della Enciclopedia Italiana. This item also includes the BTP treasury bonds held in the corporate portfolio. Arrangements were also made to adjust the value of the investment in the subsidiary Innovazione e Progetti to take into account the results achieved.

The *working capital* was negative for €25.1 million. Affecting this total were:

- *inventories*: €58 million, up on the previous year due to the higher quantities of semi-finished products relating to electronic documents, paper produced, car and motorcycle registration plates and coinage. This item also includes the reclassified corporate assets no longer used in the production cycle and measured at the lower between the residual value and their estimated realisable value (€148 thousand);
- *trade receivables and other assets*: €700 million, down by €34 million and comprising trade receivables and receivables from the parent company, associates, subsidiaries and related parties. The change is attributable to the further write-down of receivables due

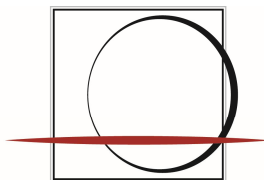


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from the parent company, Ministry for Economy and Finance, in relation to transport costs disputed for the years 2002-2006.

These receivables also include the amount due in 2017 of the grant to be received from the Shareholder.

- *tax receivables*: € 28.7 million, composed of higher payments on account made and deferred tax assets;
- *trade payables and other liabilities*: € 188.8 million, down by around € 120 million following payment of the extraordinary dividend allocated in 2016 (€100 million) and the decrease in advances received from the Ministry for Economy and Finance in excess of deliveries. This item includes trade payables, payables to subsidiaries, associates, parent company, related parties, employees and to social security and welfare institutions for related contributions. In addition, this item includes the payable due to the Ministry for Economy and Finance relating to funding disbursed this year to pay the injunction orders of Unicredit Factoring against Omnia Logistic invoices as part of the transport service for 2002-2006;
- *tax and social security payables*: €470.2 million, down by over €50 million. The amount is mainly attributable to the suspended VAT payable amounting to around €460 million. The approval for certain years (2005-2006 Statements) and settlements allowed the payment of around € 90 million in VAT. The remainder refers to withholdings on employee income and similar for December, paid in January 2018;
- *provision for transformation costs*: taking into account the nature of this item, the residual amount of the provision was released at year end.
- *other provisions for risks and charges*: €158 million, net of utilisations (€15.4 million), allocations for €28.7 million and releases to the income statement for €7 million. The provisions were determined through a prudential calculation of potential liabilities that could arise from the settlement of trade and industrial positions as well as the potential inexistence of assets. In particular, this provision refers to: returns on contracts relating to the supply of security documents, registration plates and pharmaceutical stamps; charges relating to contracts in progress for which costs to be incurred in future years are estimated; restructuring costs to cover the estimated costs to be incurred for planned streamlining of the production sites and for the modernisation and safety-related works on the various premises.



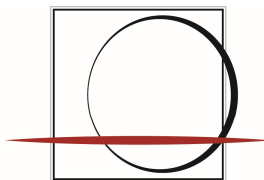
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*Net financial position:* positive for € 407.6 million. During the year an extraordinary dividend of €100 million was paid in addition to the ordinary dividend of €37 million. In addition, VAT for around €90 million was paid, of which €32.8 as an advance payment.

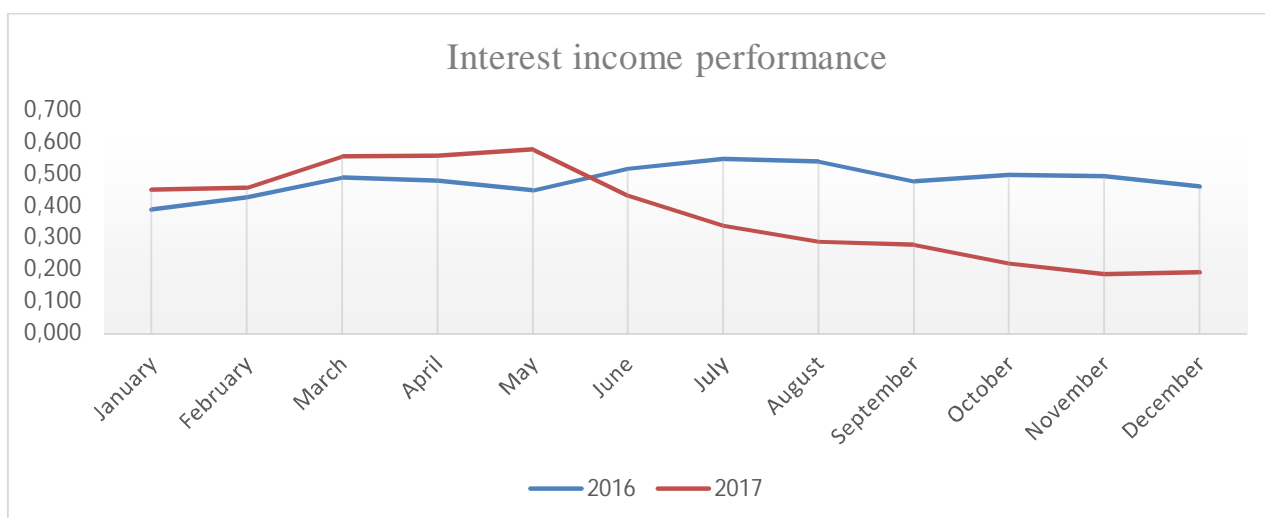
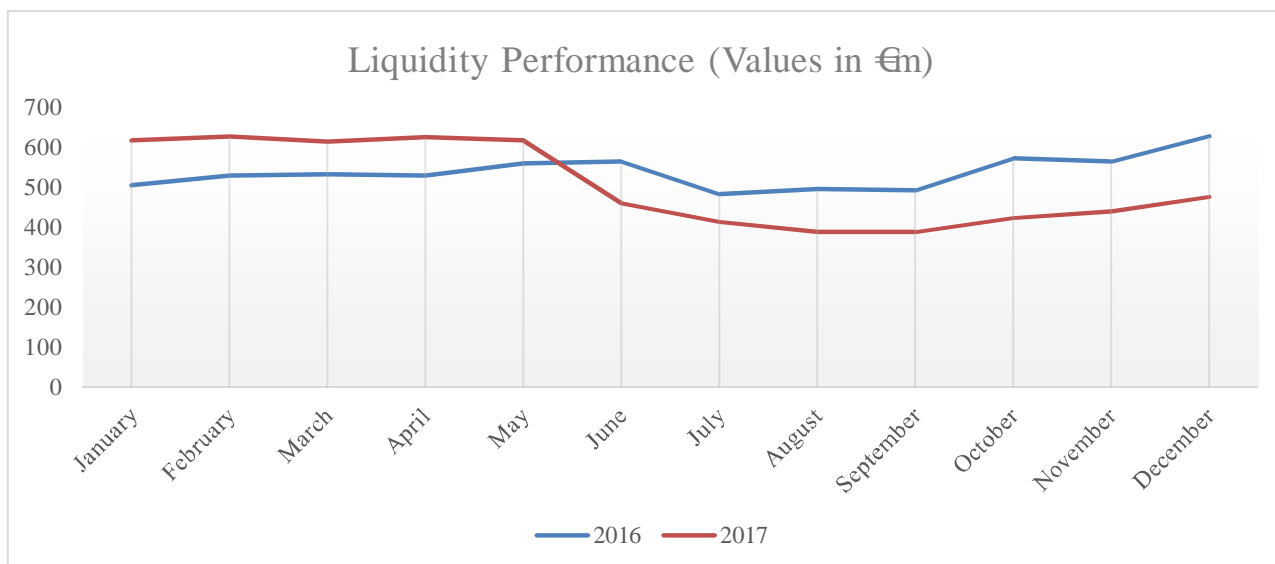
The net financial position comprises cash, cash equivalents and current financial receivables for € 474.8 million, short-term borrowings for € 30.3 million and medium/long-term borrowings for €36.9 million. In particular:

- €61.4 million (€31.4 million due beyond 1 year, €30 million within 1 year) refer to the structured loan facility transaction carried out in 2003 with Deutsche Pfandbriefbank Ag against annuities to be collected from the MEF. Their natural balancing entry is therefore the receivable due from the State for subscribed capital unpaid, principal and interest, for a total of €65.6 million;
- €5.5 million (€5.3 million due beyond 1 year and €0.2 million within 1 year) refer to the residual debt on loans granted by Cassa Depositi e Prestiti and maturing on 31 December 2035;
- €0.3 million (€0.2 million due beyond 1 year and €0.1 million within 1 year) refer to the loan agreed in previous years by the merged entity Bimospa to construct the photovoltaic plant.

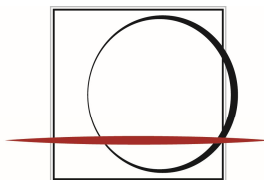
<b>Net financial position</b>				
<i>(values in €/000)</i>	<b>Within 1 year</b>	<b>Beyond 1 year</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Cash, cash equivalents and current financial receivables	474,765	0	474,765	626,867
Banks	(114)	(178)	(292)	(24,454)
Other lenders	(30,220)	(36,692)	(66,912)	(95,821)
<b>Total</b>	<b>444,431</b>	<b>(36,870)</b>	<b>407,561</b>	<b>506,592</b>
<b>Returns</b>				
Liquidity			0.89	1.07
Government securities			1.46	1.46



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## **Internal Control System and Regulatory Compliance** *(pursuant to art. 6, Italian Legislative Decree 175/2016 Report on Corporate Governance - Internal Control System, Code of Ethics)*

The internal control and risk management system comprises the set of rules, procedures and organisational structures that aim to identify, measure, manage and monitor the main risks. It contributes to company operations that are consistent with the business objectives defined by the Board of Directors, facilitating the adoption of reasoned decisions and helps to ensure protection of the corporate assets, the efficiency and effectiveness of company processes, the reliability of information provided to the corporate bodies and the market, compliance with laws and regulations as well as with the Articles of Association and internal procedures, as defined in the Corporate Governance Code issued by Borsa Italiana.

Poligrafico's present internal control system is the result of a series of integrations and updates with the aim of implementing a governance model that is increasingly advanced and in line with national reference models and best practices.

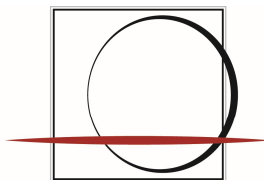
The internal control and risk management system generally involves all operating levels of the company and comprises the set of organisational structures, business practices and procedures that aim to ensure the pursuit of corporate strategies and achievement of the following:

- compliance with strategic and operating plans;
- compliance with internal and external regulations;
- effectiveness and efficiency of business processes;
- integrity and reliability of accounting and operating information;
- asset protection and prevention of crimes.

Management and personnel of Poligrafico are expected to systematically carry out self-diagnostics of the internal control system in their respective areas of responsibility.

The following levels of control are envisaged as part of the overall monitoring of the company control system, as support to Senior Management:

- first level, under the responsibility of operations management, which defines and manages the line controls intrinsic to the operating processes. These are procedural, ICT, financial and behavioural controls carried out by those undertaking a certain activity and by those responsible for supervising that activity. All corporate functions carry out these direct controls when managing operations under their responsibility;



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- second level, which monitors the risk assessment and monitoring process, guaranteeing consistency with business objectives and satisfying organisational segregation criteria in a manner sufficient to allow effective monitoring. This area is the responsibility of a number of central monitoring and control functions such as the Chief Financial Officer, Quality, Safety and other forms of management system auditing as required by international standards (e.g. UNI EN ISO 9001:2015, OHSAS 18001:2007, etc.). These types normally do not meet the criteria of complete independence and are therefore considered valid as second level controls;
- third level, supervised by Internal Auditing, which provides independent assessments through general audit of the structure and operations of the internal controls.

The company's internal control and risk management system involves different bodies assigned specific roles and responsibilities as indicated below.

### *Board of Directors*

The Board plays an absolute central role in the internal control and risk management system as it defines the fundamental aspects of the organisational, administrative and accounting structure and the guidelines for the internal control and risk management system, in such a way that the Company's main risks are correctly identified, measured, managed and monitored.

It has the full extent of powers necessary for administration of the Company, with the right to take all suitable action for achieving the corporate purpose except for any actions reserved by law and the Articles of Association for the Shareholders' Meeting.

### *Chairman of the Board of Directors*

The Chairman operates within the duties assigned by law, the Articles of Association, the corporate governance system and delegated powers and, amongst other things, is required to chair and coordinate the work of the Board of Directors.

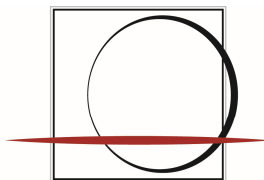
### *Chief Executive Officer*

Appointed to oversee the operations of the internal control and risk management system, implementing guidelines defined by the Board of Directors.

Arranges the planning, implementation and management of the internal control and risk management system, constantly verifying its overall adequacy, effectiveness and efficiency.

### *Management*

As part of its duties and in the achievement of related objectives, management guarantees the correct format and effective operations of the internal control and risk management system over time. To this end, also based on the risks managed, it establishes specific control activities and monitoring processes designed to ensure the effectiveness and



## POLIGRAFICO E ZECCA DELLO STATO ITALIANO

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efficiency of the internal control and risk management system and to prevent/identify irregularities and/or fraudulent acts.

### *Board of Statutory Auditors*

The Board of Statutory Auditors is called upon to supervise compliance with the law and the Articles of Association and with the principles of sound administration in carrying out business activities, and to monitor the effectiveness of the internal control system.

### *Independent Auditors*

Performs the audit services pursuant to art. 2409-bis et seq. of the Italian Civil Code, and audit of the financial statements of Poligrafico.

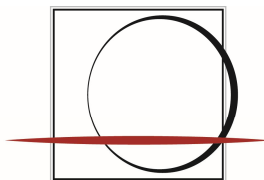
### *Magistrate of the Court of Auditors*

Poligrafico operations are subject to control by the Court of Auditors which, pursuant to art. 12, Italian Law no. 259 of 21 March 1958, reports to the Presidents of the two parliamentary chambers on the results of audits conducted.

### *Supervisory Body pursuant to Italian Legislative Decree 231/01*

As part of the “Organisation, Management and Control Model”, Poligrafico has established a specific Supervisory Body - assigned independent powers of initiative and control - with the task of supervising the operations and compliance of the Model and to arrange its updating. The latest update to the Model was approved by the Board of Directors meeting of 16 December 2015 and takes into account the new regulatory (Italian Law of 15/12/2014, Law 68/2015 “Provisions on environmental offences” and Law 69/2015 “Provisions on offences against Public Administration, mafia-like association and false accounting”), case law and organisational measures. Composed of two external members and one internal member, who cannot be assigned operating duties, the Supervisory Body also guarantees monitoring of reports from third parties and the reports issued periodically by the company department managements involved in processes “at risk of crime”.

The Supervisory Body, appointed pursuant to Italian Legislative Decree 231/01, supervised the operations and compliance of the Model and guaranteed the monitoring of reports from third parties and reports received periodically from the managers of processes identified as “at risk of crime”. The activities carried out did not bring to light any cases that would require action in relation to the provisions of the Model and Code of Ethics of Poligrafico. In relation to activities under its responsibility, the Board issued periodic reports to the Board of Directors and other company control bodies (Board of Statutory Auditors, etc.) on the performance of its activities, in line with provisions of the current Model and the Supervisory Body Regulations.



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To guarantee the correct implementation of the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001, the Corruption Prevention Plan pursuant to Law 190/2012 and the principles of the Code of Ethics, Poligrafico prepared an integrated information and training plan which was held in recent years without distinction for the organisational roles and responsibilities of attendees, with specific training activities designed to give full and correct disclosure and sensitise all employees on the contents of these documents, also taking into account any organisational changes.

### *Ethics Committee*

At its meeting of 16 December 2015, the Board of Directors approved the updated version of the Code of Ethics, which gathers the principles and rules of conduct adopted by the Company and which defines the general rules with which all persons working in the corporate context must comply.

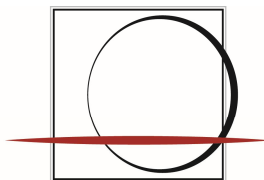
Therefore, in implementation of art. 58 of the Code, at its meeting of 16 December 2015 the Board of Directors established a specific Ethics Committee. This Committee is a body with advisory and guidance duties and is composed of the pro tempore heads of the General Affairs, Legal and Purchasing Department, the Human Resources, Organisation and General Services Department and the Internal Audit Department. The Ethics Committee is responsible in particular for monitoring the implementation and compliance with the principles of the Code of Ethics. The Committee has its own operating regulations and arranged the examination of reports received concerning alleged violations of the Code.

### *Chief Financial Officer pursuant to Italian Law 262/2005*

By a specific amendment to the Articles of Association, as per the wishes of the Shareholder, Poligrafico introduced the role of Chief Financial Officer to its Governance model, responsible for:

- preparing suitable administrative and accounting procedures for presentation of the separate financial statements and, where envisaged, the consolidated financial statements and all other financial disclosures;
- confirming the adequacy and effective application of these procedures during the year to which the documents refer, as well as their correspondence with the accounting records and entries and their reliability in providing a true and fair representation of the equity, economic and financial position of the company and, if consolidated financial statements are envisaged, of the group of companies included in the consolidation.

In order to carry out his assigned duties, for verification of the adequacy and actual operations of the control model adopted, the Chief Financial Officer also receives cooperation from the Internal Audit Department.



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In line with provisions of the Articles of Association, during the year the Chief Financial Officer duly prepared suitable administrative and accounting procedures for presentation of the separate financial statements, reviewing the administrative and accounting processes to ensure the implementation of regulatory provisions (e.g. split payments) introduced in 2017, with a view to strengthening the internal control system - where possible replacing manual controls with automatic controls or, where appropriate, envisaging control reports - and to improving the efficiency of the processes, also by introducing suitable digital storage methods for accounting and tax records to ensure that such records have the authenticity, integrity, reliability, readability and availability required by law.

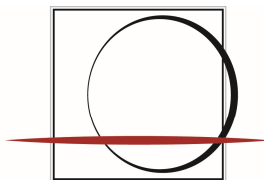
In fact, Poligrafico is committed to a process of constant updating of documentation in the administrative and accounting processes, and review of the adequacy of the internal control in managing administrative and accounting risks.

Activities also continued during the year to assess business processes that have an impact on the financial statements, and therefore on the economic, equity and financial position of the company, to the limits of and consistent with the duties assigned by the Articles of Association. Given management's responsibility, as part of the company organisation, for the accuracy of data produced, its control and input in the related information flows, testing was carried out during the year on the basis of an Audit Plan to verify the effectiveness and efficiency of the controls, with particular regard to those to be carried out directly by the company process managers. The related results were disclosed to and analysed with the department managers responsible for maintaining the internal control system designed to guarantee the reliability of financial information.

### *Corruption Prevention and Transparency manager pursuant to Italian Law 190/2012*

With regard to provisions on the prevention and repression of corruption and illegality in public administration pursuant to Italian Law 190/2012 and on transparency and disclosure obligations pursuant to Italian Legislative Decree 33/2013, on 22 September 2015 the Board of Directors appointed a single Corruption Prevention and Transparency Manager (CPTM). The CPTM prepared the update to Poligrafico's Corruption Prevention and Transparency Plan (CPT Plan), approved by the Board of Directors at its meeting of 16 January 2017, which includes a specific section - the Transparency and Integrity Plan - as envisaged by art. 10, paragraph 2, Italian Legislative Decree 33/2013.

The Plan was prepared in compliance with guidelines indicated in the reference documents issued by ANAC and contains the general principles of conduct defined in the Code of Ethics and the measures and indicators which aim to prevent corruption pursuant to Law 190/2012, prepared by the CPTM and adopted by the company's governing body,



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integrating the prevention and control measures in reference to offences envisaged in articles 24 and 25, Italian Legislative Decree 231/2001, specifically adopted in a separate document entitled “Organisation, Management and Control Model of Poligrafico”.

The adoption procedure for the CPT Plan envisages the involvement of the entire organisational structure in the preparation/implementation stages of the anti-corruption measures and indicators and in the risk assessment/management/handling stage.

This plan constitutes the IPZS security programming document and contains the aims, institutions and guidelines prepared by the CPTM on the basis of information and data supplied by the relevant company heads of Department/Structure/Function.

In 2017, with support from the Compliance of Corruption Prevention and Transparency unit of the Internal Audit Department, the CPTM supervised the operations and compliance with the Prevention Plan and compliance with the rules on incompatibility and non-transferable nature of duties. The CPTM also began monitoring the compliance with established deadlines, in relation to implementation of the prevention measures identified during interviews with the heads of Department/Areas/Structures, for the purpose of preparing the 2018 Corruption Prevention and Transparency Plan.

With reference to obligations envisaged for corruption prevention and transparency, the Poligrafico Anti-corruption Policy was prepared, approved by the Board of Directors at its meeting of 15 December 2016. The Policy establishes the goals pursued by Senior Management to prevent corruption, outlining the general principles and standards of conduct to be adopted in order to comply with external and internal regulations on corruption prevention and transparency.

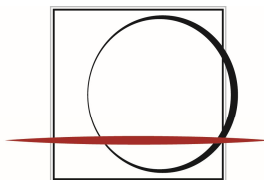
### *Internal Audit Department*

The Internal Audit Department is coordinated by the Chairman and reports directly to the Board of Directors, pursuant to the Articles of Association, and is not responsible for any operating activities.

In line with the “*Standards for the Professional Practice of Internal Audit*”, issued by the Institute of Internal Auditors, the Internal Audit Department is responsible for assisting the organisation in pursuing its objectives, providing support to Senior Management and department managers through independent and objective activities designed to assess and improve the control, risk management and corporate governance processes.

The Department assesses the overall adequacy of the internal control and risk management system by adopting a professional and systematic approach, taking into consideration the extent and specific nature of IPZS operations, making Senior Managers and management





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aware of any critical issues that could compromise the business objectives, promoting initiatives to continuously improve the control and risk management processes.

The annual audit plan is prepared on the basis of gradual coverage of the main business processes, to be implemented over the medium/long term, according to a risk analysis approach that ensures measurement of the adequacy of the overall internal control system and, amongst others, providing support in the audit plans of the Supervisory Body and the Control Prevention and Transparency Manager, as well as in obligations of the Chief Financial Officer.

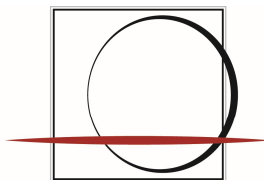
The Department audits the significant processes through an integrated internal control and risk management assessment approach, adding to the tests to be carried out in various areas in order to cover the various compliance assessment needs under its responsibility, with the aim of reducing the impact of operations of the different organisational units of the company and maximising the audit coverage of business processes.

#### *Privacy*

With reference to regulations on personal data protection, pursuant to Italian Legislative Decree 196/2003, the Privacy Manager - appointed by the Chief Executive Officer as data processing controller - has arranged preparation of the Security Planning Document with support from the company departments/structures. The customary verification and updating of controls to protect against ICT risks was also carried out. In addition, Poligrafico monitored the business processes and implemented all procedures required to monitor compliance, by the company structures, with current obligations on such matters. The assessment plan was also launched with respect to the Privacy Code and adaptation to Regulation (EU) 2016/679 on personal data protection, directly applicable from 25 May 2018. Activities relating to this project will end in April 2018 and will ensure the company's compliance with European regulations.

#### *Occupational Health and Safety Management Certification to BS-OHSAS 18001:2007 Standard and Environmental Certification to UNI EN ISO 14001:2004 Standard*

Poligrafico is a major reference for the State in protecting the physical and digital identity of individuals and things, in the anti-counterfeit and traceability systems, in the management of sensitive data (State laws, databases of public interest) and in coinage. To this end, as part of the cultural change process, both managerial and organisational, 2017 represented an important year in terms of organisational change and renewal which, with the aim of optimising the management effectiveness and efficiency of business processes, brought



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together all structures active in the area of prevention and protection of the company into a single department.

During the year, all the technical and administrative activities were carried out that allowed integration of the Occupational Health and Safety Management System with the Environmental Management System. This procedure ended in December 2017 with an integrated audit carried out to BS OHSAS 18001:07 and UNI EN ISO 14001:15 standards by the chosen independent inspection, verification, analysis and certification authority, Certiquality, ACCREDIA approved, which resulted in retention of the certifications. Particularly significant is the fact that, during the audit, the organisation demonstrated its adoption of updates on Environmental Management System issues defined in the new edition of the aforementioned UNI EN ISO 14001:15 standard, and for both standards also extended its certification to EA33 product category activities (information technology).

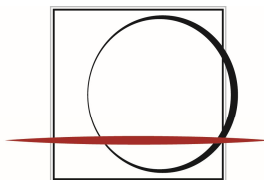
Also in terms of the custody chain for the traceability of products of forestry origin, the organisation completed activities to implement a dedicated Management System, in April 2017 reaching the goal of obtaining certification for its adoption of the Forest Stewardship Council (FSC) international standard.

The implementation of these systems also offers integrated management of the risk prevention measures related to occupational health and safety and the environment, also in relation to the Model pursuant to Italian Legislative Decree 231/2001, strengthening its internal controls. In fact, the adoption and implementation of a management system compliant with the requirements of international standards such as OHSAS 18001:07 and UNI EN ISO 14001:2015 could be a valid defensive mechanism for excluding the existence of culpability of the organisation, confirming the proactive approach adopted by Senior Management.

From examination of the key indicators (e.g. the severity and frequency indicators), in relation to data available for the reference industrial sector in Italy, the significance emerges of the results achieved that confirm the validity of the policy adopted. The activities carried out by Poligrafico allow better identification of the critical aspects, which consequently results in managing the related processes with an increasing degree of effectiveness and efficiency. The monitoring of technical parameters relating to workers' health and safety and environmental protection was constant, and likewise the upgrading of structures and protection devices so as to guarantee an improved level of workplace safety and reduced environmental impact.

As part of the cultural change process, both managerial and organisational, one of the priorities also reiterated in the Business Plan was management of the pool of skills and





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know-how. For this purpose, a training activities programme was defined on management and organisational aspects, as well as on the reference regulations and specific aspects associated with production site activities.

Ordnance clearance and the removal and disposal of asbestos materials across the entire “Parco Paglia” area of the Foggia site continued in 2017, as well as the demolition of four buildings related to the former military chemical centre. Works were able to continue following the adoption of an operating model agreed between the organisation and the Magistrates Court of Foggia. With regard to activities relating to the Geological Profile of the soil, subsoil and underlying water table for the entire area of the plant, preliminary investigations began in July 2017 and will also continue in 2018.

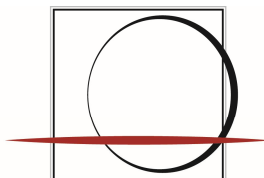
It is particularly significant that, after carrying out a specific Risk Assessment, submitted to and approved by the competent authorities, it was possible to restore the partial pumping of wells serving the production departments of the plant. This involved reducing the quantities drawn from the public water supply and from the Reclamation Consortium of the Foggia region.

As regards environmental issues, it is confirmed that no proceedings of any nature have been brought against the organisation for the commission of offences or claims of potential environmental damage. The joint monitoring activities with ARPA Puglia, on the other hand, continue profitably for the Foggia plant. For the Verrès plant, in view of the substantial changes to production activities at the site which envisage the inclusion of new processes, opinion in favour of the Single Environmental Authorisation (AUA) was requested from and granted by the Interdepartmental Meeting.

## **Investments**

2017 saw the continued commitment of financial resources to renewal of the production infrastructure and the recovery of a number of properties following the concentration of all offices into the “Salario Centre”.

The main investments made for each production site are illustrated below, with comparison figures from previous years:



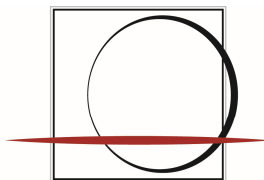
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<b>Production facilities</b> ( <i>value in €m</i> )	<b>2017</b>	<b>%</b>	<b>2016</b>	<b>%</b>	<b>2015</b>	<b>%</b>
Banknote Printing Works and Traditional Productions	7.23	37.39	10.14	45.25	5.26	36.61
Foggia	2.11	10.93	4.20	18.73	2.84	19.76
Zecca and Verrès	2.10	10.85	0.27	1.19	0.30	2.09
Business Solutions	2.60	13.43	4.17	18.61	5.31	36.95
Central Departments	5.30	27.40	3.64	16.22	0.66	4.59
<b>Total</b>	<b>19.35</b>	<b>100.00</b>	<b>22.42</b>	<b>100.00</b>	<b>14.37</b>	<b>100.00</b>

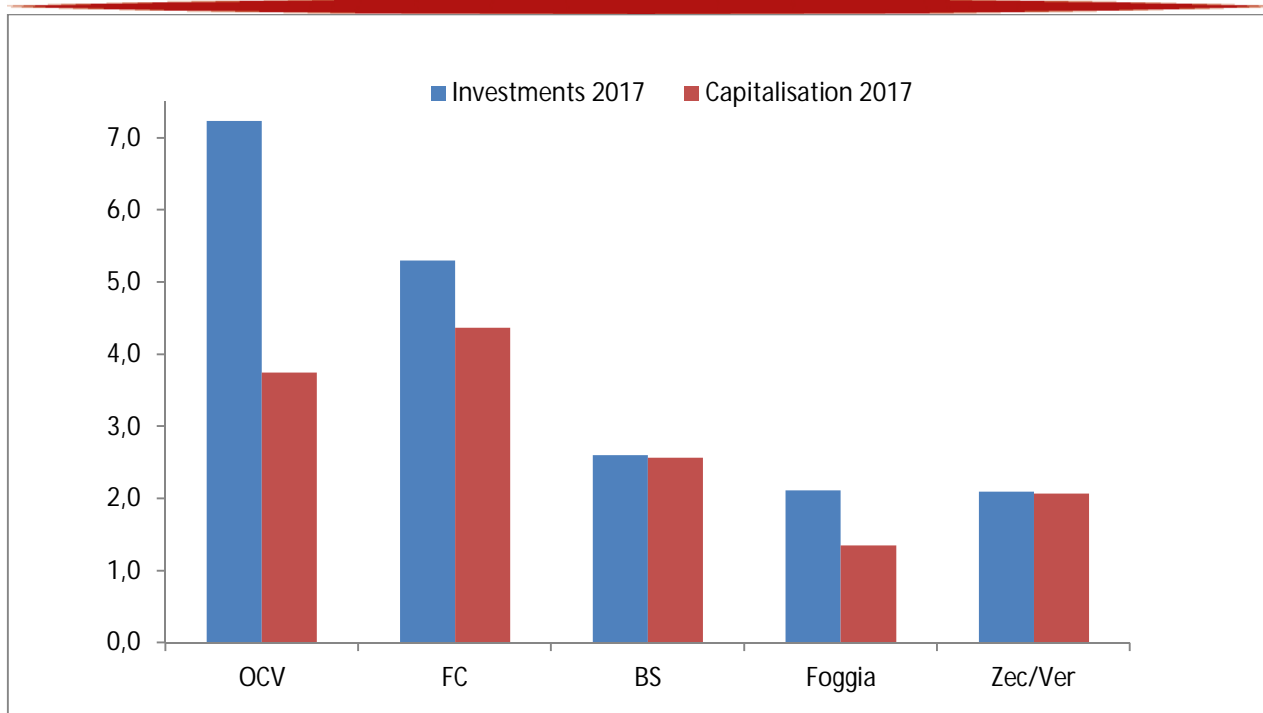
Though the value of investments has decreased (€19.3 million compared to €22.42 million in 2016, Poligrafico has initiated various major investments for which advances were paid to suppliers for around € 13.5 million, a clear sign of the continuous process of implementing new systems and modernising those already in use.

The investments performance in 2017 for each production site is illustrated below:

<b>Production facilities</b> ( <i>value in €m</i> )	<b>Investments</b>	<b>%</b>	<b>Capitalisations</b>	<b>%</b>
Banknote Printing Works and Traditional Productions	7.23	37.39	3.74	26.55
Central Departments	5.30	27.40	4.37	30.96
Business Solutions	2.60	13.43	2.57	18.22
Foggia	2.11	10.93	1.35	9.58
Zecca and Verrès	2.10	10.85	2.07	14.69
<b>Total</b>	<b>19.35</b>	<b>100.00</b>	<b>14.10</b>	<b>100.00</b>

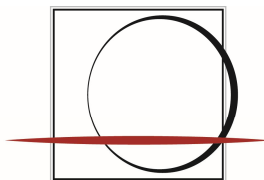


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The most significant investments in 2017 were:

- *Electronic ID Card*: four test inlay machines and 3 systems for the application of plastic cards in ISO 7810 format on letters customised online and the Backup Site Server for the Pitney Bowes Sorter (mailing system for the EIC v.3.0) were purchased. Offline verification systems for quality control were also implemented in the production phases;
- *Lottery*: the upgrade of reel printing machines, a packaging machine (at the Foggia plant) and a reel turning trolley (at the Banknote Printing Works) was completed;
- *Electronic Passports and Residence Permits*. The technological update continued on the Central and Issue Security Infrastructures at the State Police CEN and for enhancement of the AFIS software for the Electronic Residence Permits project, investments begun in 2016; renewal has started on the existing peripheral infrastructure, including the setup of a workstation for the issue of electronic documents for the Holy See and the Vatican City; two devices were purchased for the graphics and electrical customisation of passports compliant with ICAO 9303 recommendations; lastly, to improve document construction quality and for system preparation, ready for production of the new passport format with data pages in polycarbonate, technological upgrades were carried out on the passport production systems. This update did not block an increase in orders

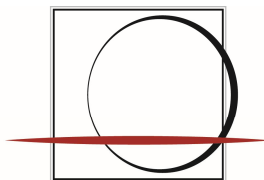


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from the Ministry for Foreign Affairs (+28%), despite major machine stoppages required by the update, as a result of better planning and efficiency improvement of all the production stages.

- *Pharmaceutical stamps.* Supply of an extractor, offloading and compacting system for adhesive waste, to be installed on the Prati machine; semi-automatic paint loading/offloading systems and fume extractor systems were installed on machines at the Foggia plant and the Banknote Printing Works. During the year, the automatic detection procedure for stamp production was implemented, interfacing with the printing machines through the company information system, offering real-time detection of production and waste on the machine.
- *Coin and medallion minting.* Purchase of an automatic barrel turning system for the alkaline copper coating of planchets, revamping of the two Proditec sorters used in the planchet production system at the Verrès plant, the purchase of 6 coin roll counting machines and, lastly, upgrading of the Schuler minting press.
- *Information Technology.* Implementation of the project in the Backup and LOG production environments at the primary site (Rome, Banknote Printing Works) and for Business Continuity (at the Zecca Gino Capponi plant) to guarantee continuity of ICT services; the purchase of 2 machines as part of the Dematerialisation project for the digital capture of documents and structured and high-quality publications; renewal of hardware and software for existing workstations;
- *Investments to support production.* Purchase of a new Gallus machine for printing postage stamps and adhesive labels; purchase of a Kodak controller and software updates for printing and mounting machines; supply of two printing units, a numerator unit for the Goebel and Drent machines; automatic cleaning system for the numerators; purchase of 10 chalcography cylinders for the Goebel machine; purchase of an obliterating unit for rejected cards; supply of a Canon Vario Print 135 digital printing system; purchase as part of the automatic data processing system (EAD) of a printing system for the customisation of cards in polycarbonate; purchase of a micrometer for measuring paper thickness and other laboratory instruments.

Revamping of the quality control system and paper defect detectors was carried out to serve production at the Foggia plant, and a series of stainless steel containers were made to serve the first continuous processing machine; supply of a shearing machine for registration plate production for the Police Force and integration of the packaging line; purchase of a new compressor, a rooftop air conditioning unit for the silicon storage unit



of the adhesive tape department and, lastly, a new air circulation system for the treatment plant.

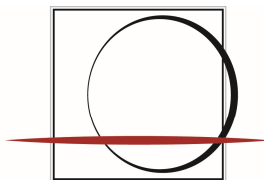
- *Property investments and restoration* works were carried out to install the technological systems for the “Cypsec” section as part of the Work Area of Hall M, and upgrade works on the air conditioning system of Hall A and the Foggia plant. Modernisation works were carried out on the electrical system at the Verrès plant. To allow completion of the new Zecca Museum, housed in Hall C of the Banknotes Printing Works, works continued on the layout, adaptation and improvement of the rooms.

The compartmentalisation of all units into the Salario Centre began in compliance with the requirements of ISO 14298 standard.

- *Process/product improvement activities.* The destruction of semi-finished product waste was restored in accordance with art. 53, Ministry for Economy and Finance Decree of 4 August 2003, offering considerable recovery of space that was previously dedicated to the storage of banknote production waste. The logistics streamlining of the waste shredders in the area with video surveillance, at both premises in Via Salaria, thereby improving compliance with ISO 14298 standard. The banknote control activities were enhanced through the setup of an automated process for production activity detection and reporting on the corporate information system.

The digital printing line for the Full Colour finished product is fitted with a barcode reader system to customise the individual files printed.

The upgrade of the Nipson system for the customisation of Revenue Stamps was completed, allowing upgrading of the current printing resolution technology, with a significant improvement in the production of barcodes and related optical reading quality.

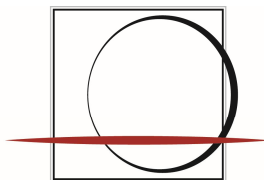


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*Projects in progress*

Various tender procedures were launched in 2017 to allow investments to be made as envisaged in the Business Plan. In particular:

- the second phase of the procedure for clearance of war devices began at Parco Paglia, a land site at the Foggia plant, which became necessary following the detection during phase one of the works on the area of widespread ferromagnetic pollution, with resulting restrictions on action by the competent authorities (Minefield Reclamation Office, CETLI, Foggia Magistrates Court). At the same time, in order to apply the provisions of the Geological Profile approved by the Interdepartmental Meeting called by the Apulia Regional Government, a tender was launched for the award of a combined works and services contract regarding the environmental profiling of the soil and subsoil to be conducted at the Foggia plant.
- The property in Via Principe Umberto, the original home of the Italian State Mint, was studied for the launch of two major initiatives: award of the design of a temporary multimedia exhibition to celebrate the 110 years of the Scuola dell'Arte della Medaglia and restoration of the building to improve the local context. After completion of the preliminary study for the property upgrading project, the preparation of a design competition is envisaged to gather ideas and prospects for reuse of the building in Via Principe Umberto.
- In the first half of 2017 the tender was awarded for the supply of a new, technologically more advanced registration plates system. The related contract entered into force in September 2017. It is estimated that the new system will become operative at the Verrès Plant by the end of 2018. In parallel, a tender procedure was launched to revamp the line currently in operation at the Foggia plant. The tender is still in progress and award is expected in the first few months of 2018. The plant will be modernised, especially the part housing the old and now obsolete Tecnofinish furnace.
- In 2017, all the contracts necessary for the restoration and operational start-up of the second continuous processing machine (MC2), currently in disuse, were implemented. Subject to in-depth revamping, the machine will be used to produce high-quality paper. The modified system will therefore be suitable for printing paper for banknotes, allowing Poligrafico to diversify its production capacity with a view to acquiring new contracts.
- The insourcing project for holographic productions began in 2017. It is estimated that the entire division of the Foggia plant will be operative by the end of 2018. For this purpose,

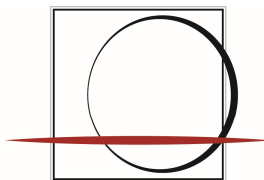


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a series of contracts were implemented for the construction of a vacuum metallizer system, a rotogravure and a hologram applicator.

- In relation to the need to renew the current Passports Line, taking into account the option of producing the new passport with data pages in polycarbonate, five competitive tenders were launched with negotiations for the construction of machines to handle the entire process (pre-customisation and passport assembly; cutting die assembly and laminating of data pages in polycarbonate).
- CyPSeC Project (Cyber Physical Security Center) is the project dedicated to the company's internal security and the task of analysing data and detecting potential risks and/or hacking attempts is envisaged, as well as prompt response to any security incidents. CYPSEC consists in the construction of an Operations Centre for the monitoring, control and incident detection/response of logical and physical security incidents, capable of detecting vulnerabilities and managing emergencies and situations of danger, displaying alarms and triggering specific intervention procedures. In addition, it provides all the tools necessary to measure performance of the dedicated security systems and therefore to correctly assess the level of risk and the company's exposure to threats.



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## **Human resources and organisation – Industrial relations**

At 31 December 2017, Poligrafico had 1,736 employees, 79 more than at 31 December 2016 (+4.8%).

In line with the Plan objectives and the production and technology innovation process under way in all Poligrafico production sectors, the professional and generational turnover programme continued, designed to create the conditions for a more suitable organisational structure.

The recruitment plan implemented during the year resulted in the induction of 196 employees (+11.8% compared to 2016), as a result of the recruitment plan itself (156 employees) among the plants and central offices - 1 executive, 31 managers, 61 office staff and 63 manual workers - and from the inclusion of remaining personnel (from the part not demerged) of Editalia S.p.A. (40 employees) - 2 executives, 1 middle manager, 5 managers, 31 office staff and 1 manual worker).

Employees leaving the company numbered 117 (-7.1% compared to the end of 2016), with an average age of 60. In particular, 3 executives, 5 middle managers, 24 managers, 43 office staff and 42 manual workers terminated their service. 88% of employees leaving (103 staff) decided to voluntarily accept the staff leaving incentive. The remaining 14 terminations referred to voluntary resignations or other reasons.

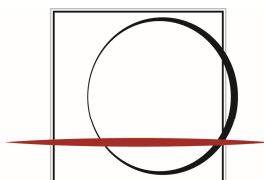
The generational turnover mainly affected office staff, with a recorded turnover rate of 20% on the period average, whilst the percentage for manual workers was 15%.

The turnover in executive employees was 2%, with the appointment to executive level of 3 company managers.

All fixed-term contracts of personnel ended during the year.

The breakdown of personnel by production plant and employment category, compared with the final figures for the previous year, was as follows:





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<b>Production facilities</b>	<b>Executives and Office staff</b>	<b>Manual workers</b>	<b>Total 2017</b>	<b>Total 2016</b>
Banknote Printing Works and Traditional Productions	191	395	586	637
Foggia	94	180	274	236
Zecca	71	86	157	158
Verrès	8	19	27	27
Integrated Solutions Development	91		91	63
IT Systems and Services	259	0	259	259
Central Departments	333	9	342	327
<b>Total</b>	<b>1,047</b>	<b>689</b>	<b>1,736</b>	<b>1,707</b>

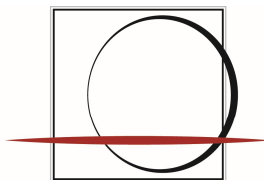
The average age of employees in service at 31 December was 46.3, recording a decrease compared to previous years (47.5 in 2016, 48.5 in 2014). As a result of the recruitments, the category of employees aged under 30 increased (+32% compared to the start of the turnover in 2015), while those over 60 in service at year end now represent 15% of available human resources, with a slight decrease compared to the previous year (-0.7%).

<b>Gender/ Age</b>	<b>20 ≤ years ≤ 30</b>	<b>31 ≤ years ≤ 40</b>	<b>41 ≤ years ≤ 50</b>	<b>51 ≤ years ≤ 60</b>	<b>over 60</b>	<b>Totals</b>	<b>%</b>
Female	40	111	97	146	49	443	25.52
Male	228	236	244	372	213	1,293	74.48
<b>Total</b>	<b>268</b>	<b>347</b>	<b>341</b>	<b>518</b>	<b>262</b>	<b>1,736</b>	<b>100.00</b>

Analysis of the workforce breakdown by education level shows that 82.6% of Poligrafico employees have a junior high-high school qualifications, which rises to 98% if the level of education of new recruits alone is analysed.

The table below illustrates the breakdown by position and education level achieved:

<b>Position/Educ. level</b>	<b>Degree</b>	<b>HS Dipl.</b>	<b>J/High</b>	<b>Elementary</b>	<b>Totals</b>
Executives and managers	232	187	9	0	428
Office staff	131	417	70	1	619
Manual workers	11	456	220	2	689
<b>Total</b>	<b>374</b>	<b>1,060</b>	<b>299</b>	<b>3</b>	<b>1,736</b>



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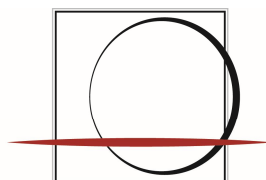
The number of man days per capita in 2017 increased (203.5 vs. 199.3) due to the combined effect of a decline in absenteeism (43.3 vs. 48.5 man days lost), reduced use of paid leave (0.6 days less) and the same-time increase in overtime by around one day per head.

The absenteeism rate shows a decrease of around 2%. Within this component, absences due to sickness and pursuant to Law 104/92 have decreased, offset by a slight increase in accidents and maternity leave. This change is without doubt associated with the generational turnover already commenced. Also note that manual workers have reduced the use of short-term sick leave. This rate shows different situations among the company structures, representing values approximately in line with the average company figure in the Central Departments (8%), a rate higher than average for the Banknote Printing Works and the Zecca plant, and a rate clearly below average for the Foggia and Verrès plants which stood at around 4%.

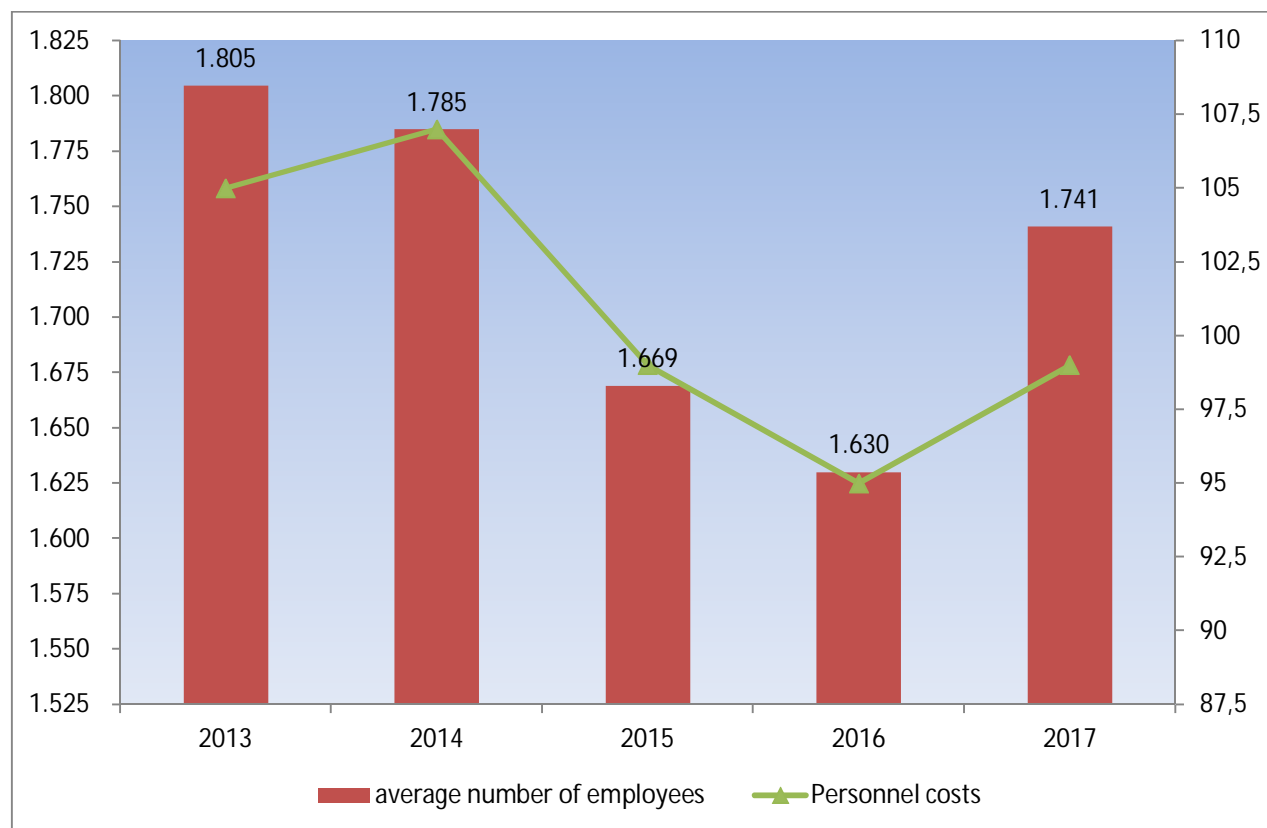
As regards the use of overtime, in 2017 there was a consistent increase in the average overtime completed per capita (6.40 days vs. 5.4 days). In particular, in addition to flexible working hours, the Foggia plant also made use of overtime to handle the numerous peaks in production activity. The other structures recorded an overall decline. Note that the use of the services in question mainly concerned manual workers, whilst use declined among office staff.

The total labour cost at 31 December 2017 amounted to around €99 million, up on the final figure for the previous year by approximately €4 million. As this component is, on the one hand, a consequence of management policies implemented to streamline and renew the workforces, on the other hand it is the result of staff turnover with younger resources that are less expensive for the company. The positive balance recorded is mainly associated with the effects of management initiatives implemented to streamline and renew workforces, which recorded an increase in the average number of employees available to the company (on average 110.4 more staff), and the staff turnover with younger resources less expensive for the company (internships).

The cost for personnel on fixed-term contracts decreased, taking into account the contract expiries. Overtime costs, up by €273 thousand, were in line with the increase in services provided.



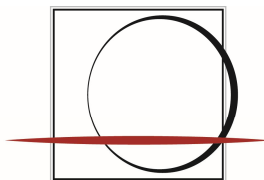
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### *Organisation*

Following the renewal of Senior Management - and in adoption of the wishes of the shareholder MEF to establish the role of General Manager to coordinate the operating structures in order to achieve the Business Plan objectives - a reorganisation of the Company's macro-structure was arranged. The resulting organisational structure is based on clear segregation of roles between the Chief Executive Officer (CEO) and the General Manager (GM) through the delegation of powers for the administrative and operational guidance and control of the Company to the CEO and the governance of direct operations instrumental to business activities to the GM.

In addition to this action, a new department was set up - Company Prevention and Protection Systems - as the organisational reference point for implementation of the requirements of ISO standards adopted by the company and maintenance of all the Management Systems associated with such ISO standards.



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In addition, activities continued for the optimisation and re-engineering of company processes - whether business or support processes - with a view to optimise the processes on a continuous improvement basis, as well as reduce operating costs.

### *Training*

In addition to continuation of initiatives for the updating of skills in production areas and to support the various certification processes, 2017 was characterised by the launch of training products designed to support the growth and development of a management culture that can represent a point of reference of Poligrafico, today and in the future. In December, a one-day event was organised at which the foundations were laid for a structured management training plan, determined through an informed and self-agreed process involving all the company's management.

During the year, training and education activities were provided for around 11,300 hours, 80% of which concerning training on Italian Legislative Decree 81/08, Anti-corruption and Transparency (Legislative Decree 231/01), Code of Ethics and Internships, as well technical and specialist training for the development and updating of the specialist skills already present in the company. The cost incurred by the Company for these activities was €325 thousand, partly financed by Fondimpresa. The training provided saw an attendance of around 2,100.

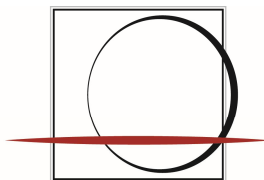
### *Search and selection of personnel*

As a result of the generational and professional turnover in progress in the company, in 2017 the programme continued - as indicated in the Business Plan - to recruit new personnel to strengthen the core business - plant workforces due to the new products (e.g. EIC) and the increased production volumes (e.g. registration plates, pharmaceutical stamps, etc.) - and to reinforce structures dedicated to the development of new products and services, as well as the R&D area.

During the year, 47 job alerts were published on the company web site, also using additional advertising channels such as: Placement Office for Universities, Specialist Schools and Education Authorities.

Given the high number of selections opened, the task was assigned - via tenders - also to external companies specialising in personnel searching and selection. At the same time, as part of the selections for which the aid of external companies was not requested, over 1,400 CVs received were screened to confirm that they matched the prerequisites.

In general, the outcome of the various screenings was around 370 resources. Further assessments were then arranged by meeting with approximately 330 potentially suitable



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candidates, through assessment (group trials with specific aptitude testing and personality questionnaires) and individual interviews.

### *Industrial Relations*

As regards industrial relations, in addition to negotiations for the standardised management of practices at the various plants, 2017 activities were characterised by the implementation stage of the Corporate Welfare agreement (December 2016). In this respect, trade union discussions concerned the identification of the most suitable tools to ensure correct use by workers of the services available (through the acquisition of a special dedicated platform and the adoption of functions and specific tools for the manual workers category) and the series of new service needs for inclusion in the welfare package to meet the needs of such a varied population - in individual terms - as that of Poligrafico.

2017 saw the renewal of the TU representatives for the organisational units located in Rome. These elections, in addition to partial reconfiguration of the trade union reference framework, also involved the establishment of a new trade union contact among the “Poligrafico Roma” TU representatives.

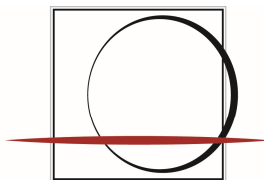
The end of 2017 saw the finalisation of major negotiations with the signatory trade unions on national pay agreements in force in the company (Graphic Designers and Metalworkers), relating to the delicate and important topic of video surveillance. This agreement, necessary to ensure the high production standards envisaged in regulations on “security printing processes” (Certification 14.298), which the company decided to adopt in relation to commitments undertaken with the shareholder as regards new production (watermarked paper) and for continuous security improvements for the banknotes (new MEF inspectorate rules), cancels and replaces all previous agreements in place on such matters and, pursuant to art. 4 of Italian Law 300/70, governs the new rules on IPZS video surveillance.

### *General Services*

2017 saw the gradual consolidation of the plan to streamline and reorganise activities supervised by General Services - centred on efficiency improvement objectives and the quality of services provided - through insourcing of activities, standardisation of company equipment (PCs and printers), reorganisation of the consumables inventories and redefinition of the layout management processes.

In particular, modernisation of the workstations continued with regard to IT functions and furnishings as part of the space rationalisation activities.

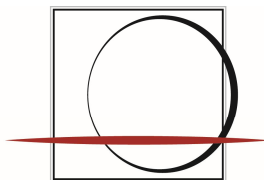
In fact, based on space efficiency improvement activities, integrated storage was arranged for consumables with an annexed area for goods disposal, and the full reorganisation and rearrangement of the central archive (former San Pellegrino site) commenced with related



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transfer of the material from the entire publishing deposit to the Viale Gottardo-Nomentano site. When reorganising this site, spaces were created to house the department dedicated to digitisation and dematerialisation services for hardcopy flows.

The reorganisation continued of the driver service and vehicle fleet, with structured scheduling and monitoring of the service to the benefit of the plants and employees, which resulted in a company saving on transport services.



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## **IT systems and Digitisation**

During 2017, Poligrafico continued to enhance the tools and solutions designed to ensure protection of the public trust in the areas of digital identity, tracking and tracing, security and ID documents.

This context includes the planning initiatives regarding ICT and electronic activities, initiatives that involved the platforms and systems for the issue of security documents, HW/SW infrastructures supporting these systems and the company, monitoring of company protection and the safeguarding of public trust.

Among the security documents, considerable importance is given to the Electronic ID Card project (EIC 3.0). The issue of EIC 3.0 began in 2016 at the first 199 municipal authorities and continued in 2017 with the start-up of the main Italian municipalities to cover more than 70% of the population. Total coverage of the Italian population will be achieved by the end of the third quarter of 2018.

As part of the Electronic Passport and Electronic Residence Permit projects, 2017 saw the setup and operational startup at the CEN (National Processing Centre) of the Italian State Police of the central and security systems for the issue of electronic passports and electronic residence permits. The operational start-up of the Disaster Recovery Plan at the Single Backup Centre (CUB) of the Ministry for the Interior will be completed by the end of the second quarter of 2018.

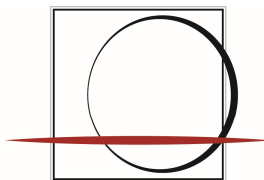
The technological and infrastructural development of Poligrafico's IT component also involved the infrastructures and application platform in use in the company.

The security works on the main mission critical services and systems of Poligrafico were completed in 2017, through the activation of Business Continuity services that also include IT support services for the Poligrafico production systems.

The enhancement and streamlining activities for Poligrafico Data Centres began: completion of the primary site and the Business Continuity site will be completed in 2018, whilst the Disaster Recovery site will be completed in 2019.

As part of the physical and logical security, the IT Department was involved in implementing plans to increase data protection and physical access to the plants and production areas.

Also in relation to the judicial and legal databases, note Poligrafico's commitment to implementing the Normattiva project. Launched in 2008 on the initiative of the Prime Minister's Office, the project involves the use of innovative information technologies to create a reliable service, free of charge and with complete information on Italian laws. 2017



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saw completion of the integration to the “Normattiva” database with documents published from 1861 to 1932, with gradual updating to include all numbered regulatory acts.

As part of the continuous development of IT systems to support production processes, a series of planning activities began and ended in 2017 to improve business processes and their efficiency and gradual digitisation. The most significant activities include:

Engineering start-up of the plant maintenance process at the Foggia plant. The aim of this project is to automate and systemise the plant’s maintenance activities with a view to increase the availability rate of the production systems.

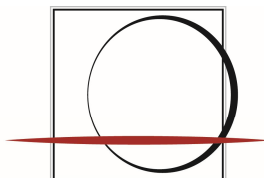
Computerisation of the pharmaceutical stamps production and pre-cut blanks process with the aim of providing the Rome and Foggia plants with an IT tool to support the production and handling processes for the pre-cut blanks of pharmaceutical stamps and the paper used as raw material.

Backup storage for accounting and tax documents: all live invoices, whether in hard copy or digital, and the VAT registers for 2016 are now held in electronic archives. The system is designed to act as backup storage for all mandatory accounting documents of Poligrafico.

Other planning activities concerned the developmental works on management processes underlying the production of pharmaceutical stamps, integration between the MEF and Poligrafico systems to manage needs associated with banknote production and review of the processes associated with gold token management for RAI. A common denominator among these and other works is the need to increase efficiency, effectiveness and the security of the processes involved, a goal that can also be achieved through the use of digital technologies.

The dematerialisation centre of Poligrafico was established in 2017. The centre, equipped with state-of-the-art technology for the capture, processing and digitisation of books and printed documents, has the objective of supporting the company and State administrations in its initiatives to ensure gradual reduction of the paper in circulation, increase the usability and availability of the documents and information contained in company archives, and accompany the company and administrations in the process of valuating its wealth of historic documents.





## Goods and Services Purchasing Process

2017 saw a slight decrease of contracts signed, both in number terms and value terms, following the finalisation of tenders during 2016 associated with multi-year contracts, including the EIC project. However, a considerable increase is expected in 2018 following the signing of contracts for new projects launched in 2017.

The number of direct awards fell by around 5% with the total amount remaining similar to 2016. The management of these contracts is constantly monitored to identify and justify situations which, pursuant to the Public Procurement Code, legitimise the direct award of amounts of €40 thousand or higher.

A numeric analysis of the type of contracts stipulated is provided below

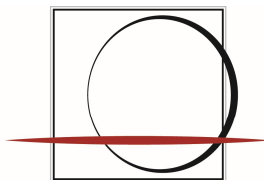
	2014	2015	2016	2017	Changes 2017 vs. 2016	%
Direct awards	1554	1303	1472	1402	(70)	(4.76)
Contracted	281	308	359	268	(91)	(25.35)
Other works tenders	91	87	112	119	7	6.25
<b>Total</b>	<b>1926</b>	<b>1698</b>	<b>1943</b>	<b>1789</b>	<b>(154)</b>	<b>(7.93)</b>

2017 saw the publication of 62 tender procedures, broken down in the following table by type of procedure and amount (higher or lower than the EU limit of € 209 thousand for services and supplies and €5.2 million for public works):

	over limit	under limit	<b>Total</b>
Open	50	2	<b>52</b>
Restricted	2	0	<b>2</b>
Competitive with negotiation	7	1	<b>8</b>
<b>Total</b>	<b>59</b>	<b>3</b>	<b>62</b>

Almost all the competitive procedures refer to the award of supplies and services, except for two open tenders for the award of underground works.

In order to achieve optimum economic and quality conditions of purchases made and in line with the general spending review policy, the Company has consolidated its practice of structuring new European tenders on the basis of factors such as:



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- estimation of final costs of existing contracts, to be used as the basis for auction in new procedures;
- trend analysis of the real needs and related management based on past consumption;
- constant monitoring of prices for strategic purchases;
- analysis of percentage reductions achieved from auctions;

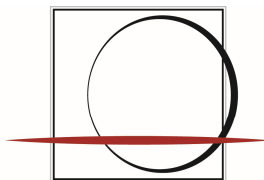
which led to average savings of around 2%. The more consistent results, in terms of percentage savings, were achieved on contracts relating to paper supplies for production of the “Posta Italiana” postage stamp (51%), the transportation of valuables service for the Foggia plant (39%) and the security systems maintenance service (37%). The temp agency service offered savings of around €209 thousand. Vice versa, increases of around 21% were recorded in the price of carbon steel ribbon and approximately €1 per hour in the regulatory tariff at the Rome offices.

In certain cases, however, it was not possible to achieve amounts lower than in previous contracts, especially where fluctuating raw materials prices were involved, as in the case of the steel ribbon, or tariffs associated with labour such as the constantly growing monitoring service for IT services such as SAP maintenance and the central APFIS-AFIS2 infrastructures.

The savings achieved had no impact on the quality of products provided or the service distribution methods. It has to be deduced from this circumstance, therefore, that the action taken served to stimulate the reference market in a sound and efficient manner.

Furthermore, in line with the guidelines on gradual aggregation of procurement for internal needs, the facility management project for the organised and central management of all maintenance for technology systems serving properties of the Rome plants continued. This project aims to verify the effectiveness of an integrated maintenance system: the adoption of a single multiservice contract with the aim of simplifying contract management with award to a single market operator; improvement of the operations and efficiency of plants, envisaging a suitable extent of activities under contract and enhancing the quality and planning of governance services; preparation of a works scheduling system by implementing a structured process for the management and use of centralised information systems and tools to monitor performance level indicators; expansion of the scope of works on IPZS properties (including new and disused properties), as well as the related updating of regulatory and technical documents.

Taking into account the importance of the tender, the procedure was included in the list of cooperative supervisory procedures subject to the ANAC Action Protocol to which it was submitted for assessment.



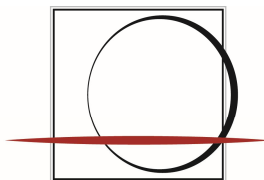
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In March 2017, therefore, an open tender was launched for a value of around €10 million for the award of operations, management and maintenance of the systems servicing Poligrafico's properties in Rome. The result of this tender will allow assessment of the effects of global management of Poligrafico's system equipment and, consequently, the benefits of governance services on management of the contract to be applied, eventually, to other Poligrafico plants.

The e-procurement portal constructed in 2014 to manage online tender procedures and the suppliers register allowed the accreditation of around 4,700 supplies of which 1,400 registered and active. 700 procedures were conducted online, with breakdown as follows:

	2017	%	2016	%	2015	%
Trusted contractor	353	51.23	470	56.82	404	61.4
Direct award through negotiated tender	128	18.58	169	20.44	88	13.4
Market survey	87	12.63	64	7.74		
Direct award on time/materials basis	28	4.06	49	5.93	111	16.9
Open tender	52	7.55	45	5.44	17	2.58
Sale	20	2.9	17	2.06	19	2.88
Negotiated tender	21	3.05	13	1.57	19	2.88
<b>Total</b>	<b>689</b>	<b>100</b>	<b>827</b>	<b>100</b>	<b>658</b>	<b>100</b>

The consolidation continues of the e-procurement platform, whose functions allow planning and management of the deadlines associated with tender procedures. Furthermore, on entry into force of the new Public Procurement Code, the e-procurement platform was immediately updated in order to allow the seamless publication of all tender procedures. A number of different improvements to the system were made in 2017, with the inclusion in the Suppliers' Register of the new security certification CWA 15374; automatic tender ID code monitoring expiring before cancellation from ANAC; commissioners draw; introduction of new filters to generate tender plans; contract signing management; new home page with a summary of all tenders relating to the user; grouping of communications sent and received; generation and publication of admitted/excluded decisions; option to export to Excel the elected address for service of all bidders, including members of a group bid; management of the minimum technical score limit for admission to the next stages; introduction of the parabolic formula for calculating economic bid scores; introduction of new jury roles (tender awarding authority) and e-mail notification of report uploads; generation and publication of automatic exclusion measures; management of access to documents online.



## POLIGRAFICO E ZECCA DELLO STATO ITALIANO

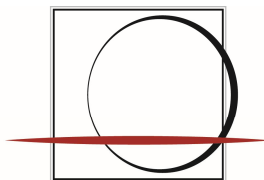
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In addition, the new Public Procurement Code envisages that the contracting authorities (including Poligrafico) must adopt: the two-year programme for purchase of goods and services of a unit value estimated at €40 thousand or more; the three-year programme for public works with an estimated value of €100 thousand or more; related annual updates (art. 21). In addition, publication of these programmes on the contracting authority's profile and on the various institutional web sites was established. To this end, Poligrafico prepared two lists for the cases indicated, published on the company web site.

During the year, a system was implemented that offers dynamic management of requests for documentation from suppliers for inclusion in the Register and for bidding on tenders, a data analysis module and necessary reporting through a Business Intelligence tool.

In line with the strategic and operational guidelines agreed as part of the round table with the Ministry for the Interior, Ministry for Economy and Finance and Consip, the purchasing procedures for materials needed to perform the "electoral service" were completed using online competitive and transparent selection procedures which, pursuant to art. 36, paragraph 2a) and 2b) and art. 55 of Italian Legislative Decree 50/2016, allowed considerable direct and indirect savings to be achieved (around 40%), thereby resulting in an economic benefit for the entire Italian electoral system and constituting a best practice at national level.

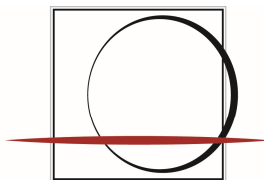
Lastly, in reference to the asset disposal plan, 20 online tender procedures were launched during the year, in this way complying with the need to limit business risks and optimise spaces for allocation to production activities and operations.



## Information on business risks

With reference to the main risk factors, also seen in the features of the reference market and the nature of activities carried out by the Company, it is important to mention the following:

- the macro-economic scenario characterised by a modest GDP growth, despite deflation and a high unemployment rate, in a context of further restrictions on Public Administration spending;
- the high degree of regulation - especially of a publishing nature - to which the company's activities are subject, given the particular features of the productions assigned, occasionally by law, to Poligrafico. This regulation has jumbled aspects also in terms of stratification over time, with measures that are not always coordinated, added to the many legal and regulatory provisions relating to various aspects of the business activities, affecting the methods by which they are carried out, imposing the implementation and maintenance of dedicated organisational controls with a view to monitoring compliance with the different provisions and regulatory developments to identify suitable solutions, with a strong influence on production methods and efficiency. The company cannot exclude that future changes to existing regulations, or the issue - by legislators, authorities and supervisory bodies - of new measures, whether primary or secondary level, might affect its operations with potential negative impact on its financial position;
- the particular features of certain specific product components made, which in a number of cases call for resource to exclusive suppliers. In addition to carefully monitoring relations with these suppliers, the company continues to perform market research in order, on the one hand, to acquire internal skills and, on the other, to develop new solutions that where possible will allow the development of a multi-sourcing strategy or in-house production. Furthermore, also in view of the risks underlying continuous technological developments, which lead to rapidly developing products/components that are technically superior to those in use, even more significance was given to research and innovation activities;
- the information systems are a crucial component of the company's activities and for the fundamental services it provides for public administrations, as well as for pursuing its development goals. Failure to control the full satisfaction of business requirements, constant updating of the solutions adopted and the activities carried out by external suppliers could compromise the company's business activities, as well as causing disruption to services and any operations stoppages, also due to the loss of



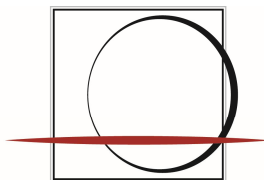
## POLIGRAFICO E ZECCA DELLO STATO ITALIANO

confidentiality and integrity of data as a result of potential new threats originating from the Internet. The company adopts IT policies in line with best practices and follows structured management processes as regards both infrastructure and applications, with a view to protecting core activities, through a structured and ongoing risk assessment process. However, there is no guarantee that implementation of the measures identified will be sufficient to prevent any errors or malfunctions that could have a negative effect on the company's activities;

- the chance that the company and the group will be involved in administrative, civil and labour law proceedings. In a number of cases there is considerable uncertainty regarding the potential outcome of these proceedings and the extent of any economic impact. The company constantly monitors the status of these procedures and, where considered necessary, has allocated specific risk provisions based on information gradually becoming available and the opinions formulated by internal and external legal advisors to the company. It could happen, however, that despite the prudent approach adopted when defining the estimates, unforeseeable events or uncertainties intrinsic to the procedures may mean that the allocations prove insufficient;
- another issue is that relating to the credit exposure to the MEF, accrued following the supply of goods and services for a total value higher than available provisions allocated each year on specific expenditure accounts of the State budget. In this respect, senior management opened intense discussions with the relevant Ministry offices to identify the most suitable methods for finalising these positions as, despite the balances being confirmed, approval of the accounts is still pending.

With regard to supplies of plain paper, the 2002-2006 positions outstanding with the MEF were largely reconciled. With regard to subsequent years, in view of the IT procedure implemented at the time for the transfer of information between the MEF and Poligrafico, the Ministry considers that the data recorded in its archives is essentially in line with that of the company. The settlement agreement between Poligrafico and the Ministry in relation to receivables accrued on transport costs incurred in 2002-2006, equal to around €124 million, suffered due to a slowing of the legal and administrative procedure.

It is worth pointing out that the overall credit position with the MEF for plain paper and banknotes, generated by the multi-year inadequacy of amounts which, according to certain sections of the State budget, were paid to Poligrafico compared to the value of services provided, reached €724 million in 2017. At the same time, Poligrafico has a payable for suspended VAT on receivables generated from deliveries for around €460



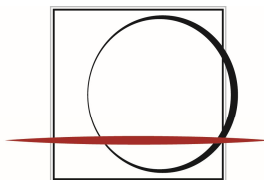
## POLIGRAFICO E ZECCA DELLO STATO ITALIANO

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million. Note that the total receivables also include the supply of electronic documents (passport, residence permit and electronic ID card), the value of which had already been paid by the public through specific accounting inflows in the State budget, since these are products for which the cost is borne entirely by individuals requesting such documents.

To date, despite an external scenario that is not always favourable, the Company has been able to maintain balanced economic conditions, with a capacity to self-finance the planned investment commitments for renewal of the systems and IT structures, and to bring into operation projects that are significant at country level, even with deferred returns. These conditions continue to form the basis for achieving the goal of strengthening/enhancing its role as institutionally recognised supplier, and an operational/distinguished means of supporting Public Administration. Lastly, it is important to mention that, in the near future, the significant commitments the Company has to face, in order to overcome their effects most efficiently, must be accompanied by positive contributions from the supervising Ministry in terms of simplifying the rules governing the business activities and consolidation of the regulatory framework that defines the scope of reference of activities assigned to Poligrafico. This with a view to finding a solution to a number of legal and institutional problems and to facilitate company operations, granting more certainty to the strategic design and the operational scope of the company. Maintaining an adequate level of business profitability, in order to continue creating value for the Shareholder, will therefore depend on these external variables.



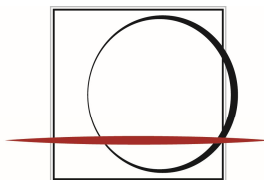


## Disputes

The Company's disputes mainly refer to the following cases:

- *civil law disputes*: referring to contracts signed with private customers. For the most part these are old cases, the conclusion of which - in the absence of valid prerequisites for settlement - is associated with the timing of the legal proceedings brought. At year end, 16 civil cases and 69 credit collection proceedings filed by Poligrafico were still pending.
- *administrative disputes*: in 2017, 12 new administrative claims were brought for which the value has not been quantified. In this respect 12 administrative law cases were dismissed. At 31 December 2017, therefore, 21 administrative cases with a total value of around €160 thousand were still pending.
- *labour law disputes*: excluding cases relating to the calculation of post-employment benefits and indirect institutions in overtime, the number was in line with cases still pending at 31 December 2016. During the year, 11 cases were conciliated (for 11 claimants), whilst 8 cases (for 14 claimants) were archived following issue of the final decision. 18 new appeals were filed (with a total of 18 appellants), compared to 12 appeals (13 appellants) in 2016. Therefore, 48 proceedings are pending with 57 parties involved. The total value of the claim remained more or less unchanged. In particular, it should be emphasised that the majority of the total value of "labour disputes" is made up of cases of occupational disease and demotions.  
Added to these cases are the 18 (for 18 claimants) still pending on the calculation of overtime in post-employee benefits and indirect institutions (summer and Christmas bonuses and leave). In view of the change in Court of Cassation case law in favour of Poligrafico, most of the proceedings were finalised with settlement agreements (resolution of the Board of Directors of 26 November 2012). In this respect, the reporting period saw 6 cases conciliated (for 6 claimants) and 15 cases dismissed (15 claimants).
- *tax disputes*: 14 cases were still pending at year end. 5 appeals were filed during the year, whilst 3 tax disputes were dismissed.





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### *Developments in the main disputes pending*

- *Civil Disputes*
- *Alpiq Energia Italia S.p.A. / Privacy Authority*

By injunction order no. 25602/17, the Civil Chambers of the Court of Milan ordered Poligrafico to pay the sum of €287,184.21, plus interest and proceedings costs.

The injunction order was issued at the request of Alpiq Energia Italia S.p.A. on the basis of a balance of payments invoice relating to the period 1 May 2012 to 30 March 2013, in which the company in question supplied electricity to the Salario plant.

This invoice, issued three years - no less - after termination of the supply contract in question, was promptly challenged by Poligrafico given the lack of proof regarding the existence of the right to any amount referred to therein.

In particular, Poligrafico pointed out to Alpiq that such an invoice was based on technical findings conducted not following agreement between the parties but solely by the network owner Acea Distribuzione.

The network owner, in fact, when replacing the meter's reading parts, arbitrarily recalculated the value of the "K constant" for invoicing, i.e. the multiplier necessary to determine the correct value of electricity withdrawn and on which basis the invoice referred to in these proceedings was issued.

This, however, is in clear violation of sector regulations which state that meter elements must be replaced only with written consent from the user, who has the right to verify the amounts shown on those meters.

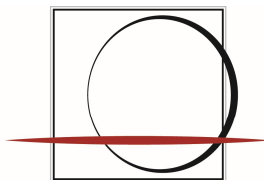
In addition, the administrative documentation forming the basis for the invoice in question - the supply invoice confirming the amounts consumed and the K constant applied - conflicts with the allegations of the network owner Acea.

This conduct, adopted without fairness and good faith, removed any certainty there may have been regarding the existence and extent of the right to receive any sum based on the Alpiq invoice.

Given these circumstances, Poligrafico filed an appeal against the aforementioned injunction order. The hearing was set for 8 May 2018.

### *Unicredit Factoring*

In relation to disputes that began following notification by Unicredit Factoring of three different injunction orders in 2008, 2010 and 2011 for a total of €33,713,963.21, two were accepted for decision but are still pending. For the third order, issued in 2011, at the hearing of 13 December 2016 the Milan Legal Bar filed the criminal sentence of aggravated fraud in proceedings against the Directors of Omnia Logistic, a company to which the receivables



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covered by the injunction orders notified by Unicredit were factored. In three separate decisions, the Civil Court of Milan accepted the challenges proposed by Poligrafico, thereby revoking the three injunction orders and ordering Unicredit to refund the sum of € 31,360,824.57, i.e. the amount - including default interest - paid by Poligrafico to comply with the injunction order notified in 2008.

To complete the information, it should in any event be remembered that part of these amounts were paid from Ministry for Economy and Finance funding following notification of the related injunction orders, since these receivables refer to transport services organised by IPZS on behalf of the Ministry.

Poligrafico immediately commenced collection action which was suspended, however, following the decree of 6 December 2017 by which the Milan Civil Court of Appeal - with which Unicredit had filed the appeal against the three decisions mentioned - accepting the claim for suspended enforcement of the order to return the amount indicated, setting the hearing date for discussion of the suspension as 10 January 2018. On 13 March 2018, the same Milan Court of Appeal revoked the order granted to Unicredit that had suspended enforcement of the first instance decision in which it had been ordered to repay the sum of € 31,360,824.57, plus interest, to Poligrafico. Poligrafico therefore began recovery action.

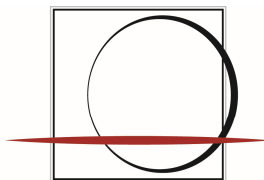
### *Carlucci S.r.l. Unipersonale*

On 10 October 2016, Carlucci S.r.l. Unipersonale notified Poligrafico, the Ministry of Health and the Ministry for Economy and Finance of its appeal filed with the Regional Administrative Court to challenge the Decrees of the Ministry of Health of 15 July 2004 and 30 May 2014 and of the Ministry for Economy and Finance of 23 December 2013 which grant exclusive rights to IPZS for the production of pharmaceutical rights, seeking pronouncement that the exclusive rights of Poligrafico are limited only to stamps for drugs distributed by the Italian National Health Service.

By decision no. 5275/2017, the Regional Administrative Court accepted the opposing party's claim, declaring that Poligrafico had exclusive rights to produce the stamps only for drugs distributed by the Italian NHS. The company filed an appeal with the State Council which will pronounce its decision on the case. The outcome is still pending.

### *LMC S.p.A.*

By appeal filed with the Lazio Regional Administrative Court, notified on 2 March 2016 to the Ministry of the Interior, Ministry for Economy and Finance, Ministry for Simplification and Public Administration, the Data Protection Authority, the Digital Italy Agency and the State-City and Autonomous Local Authorities Conference, and also against Poligrafico, LMC S.p.A. claimed cancellation, with injunction order, of the Ministry of the Interior



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Decree of 23 December 2015 containing “Technical methods for the issue of electronic ID cards”, and of the Opinion of the Data Protection Authority no. 656 of 17 December 2015, the Opinion of the Digital Italy Agency no. 169/2015 of 14 December 2015 and the opinion of the State-City and Autonomous Local Authorities Conference declared at the meeting of 17 December 2015.

At the pre-trial hearing of 3 May 2016 the case was removed from the register. Following the claim for withdrawal, the Regional Administrative Court set the hearing for discussion of the merits as 24 January 2017.

On 25 July 2016, the claimant filed appeal for additional reasons - with an injunction claim pursuant to art. 55, paragraph 3 of the Code on Administrative Procedure. At the hearing of 30 August 2016 the appellant withdrew the proposed injunction claim.

On 29 August 2016, the appellant served notice of additional motives - with an injunction claim - that essentially reiterated the original claims.

At the hearing of 25 October 2016, the Lazio Regional Administrative Court - also considering the conduct of proceedings by LMC and the hearing on the merits set for 24 January 2017 - rejected the claim for injunction.

By decision no. 4212 of 4 April 2017, the Regional Administrative Court pronounced the appeal inadmissible. On 9 November 2017, LMC filed an appeal against this decision. The case was entered in the register on 4 December 2017 but no hearing date has been set.

### *Privacy Authority*

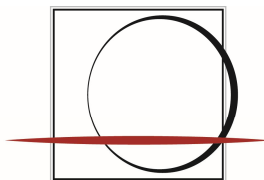
As a result of the discussion hearing on 24 June 2016, by decision no. 18302/2016 the Court of Cassation rejected the appeal filed by Poligrafico against the Civil Division I of the Court of Rome’s decision no. 1196/2013 which confirmed Sanctioning Measure no. 308 of 21 July 2016, regarding the injunction order previously issued for the sum of €60,000.00, the validity of which remained suspended pending the outcome of the aforementioned Court of Cassation proceedings. In view of the unfavourable outcome to the proceedings, Poligrafico arranged to fulfil obligations with payment of the administrative penalty.

#### ○ *Out-of-court Civil Disputes*

##### *Acea Energia S.p.A.*

Acea Energia, a number of years after termination of the power supply contract to the Salario Plant, issued - on 28 August and 14 October 2014, respectively - two invoices for a total of €541,092.59.

Following the challenges put forward by Poligrafico against the power company’s claims, Farmafactoring S.p.A. notified the company via certified e-mail that the receivable deriving from the invoices in question had been factored to it.



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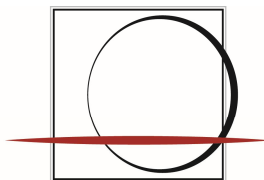
In this respect, Poligrafico challenges the existence of the receivable claimed as due to Acea as all amounts relating to the supplies provided were paid in full at the time.

In effect, these additional amounts should be attributed to the alleged incorrect allocation of the measuring constant for the utility in question, which was followed by replacement of the old meter, in the absence of company personnel. This circumstance is a further reason for challenging the amounts now requested, given the violation of user protection procedures.

### o *Criminal Disputes*

During 2017, proceedings continued before the Criminal Courts of Foggia and Rome - some of which still in the preliminary investigation stage, others at discussion stage - against a number of pro tempore directors no longer in office and several former executives. The cases in question refer to:

- o one investigation in relation to the occupational disease of a former employee, initially opened by the Foggia Magistrates Court against five pro tempore directors and at present limited to three of them following the dismissal of charges against the other two. The proceedings are currently at preliminary discussion stage;
- o one case pending before the Court of Rome, following a workplace accident, against the Executive Director for occupational safety offences. The case is currently at appeal stage;
- o filing of a civil claim by Poligrafico in the criminal proceedings brought against third parties accused of crimes in which the company was an injured party.



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## Property Asset Analysis and Valuation

The company's property assets are located in Rome and Foggia and include properties used for production (in operation or in disuse), management activities (offices), warehouses and special uses (Scuola dell'Arte della Medaglia, sales outlet, etc.), plus a number of pieces of land.

The total gross surface area of the buildings is around 270,000 square metres and the empty land measures around 70 hectares.

Among the owned properties, a number located in the Nomentano district of Rome were leased to Editalia at the end of June 2017.

Poligrafico also rents the following:

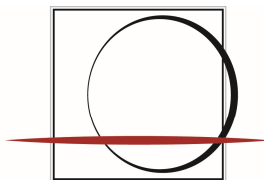
- in Rome, one store at Piazza Verdi 1, used as a sales outlet;
- in Verrès (AO), an industrial complex for the production of planchets for coinage.

The Poligrafico Business Plan confirmed the objective of modernising and improving the efficiency of equipment and spaces where business activities are carried out, contemplating an ongoing requalification of the property assets. Support action is also envisaged to improve workplace safety conditions, to further strengthen the intrusion protection measures and control of the production sites, to safeguard IT data and to focus on optimisation and energy savings.

Annual re-forecasting led to a decrease in planned undertakings, focusing activities on improving the functions, security and valuation of the property assets, laying the foundations for the implementation of numerous works envisaged over the course of the three-year plan.

The main actions planned include:

- gradual upgrading of work environments and improvement of the general working conditions by implementing services and reorganising communal areas;
- disposal of the non-strategic property complexes with assessment of the best conditions in terms of costs and benefits for their valuation;
- adaptation of plant areas for the improvement of conditions for existing production and the start-up of new lines;
- implementation of infrastructures for the IT systems, to improve business continuity;
- construction of a cultural centre for Poligrafico through restoration of the historic building in Via Principe Umberto and the transfer of the Zecca Museum to its new home here (currently housed at the Via Salaria 712 office);
- continuous improvement of safety in the workplace and physical safety;



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- greater energy efficiency;
- improved management of building maintenance and of the systems serving them.

The optimisation of space at the plants has allowed activities to be concentrated at the Rome office and at the Salaria and Zecca property complexes, as envisaged in the Plan.

The programme, under gradual development, envisages modernisation for the Salaria Centre of all the PT Plant offices and restructuring of the environments to be used for general services, to be created in the former San Pellegrino building as space for services (company restaurant) and offices associated with production activities, and to increase internal car parking space. The restoration of the property has already been affected by an Interdepartmental Meeting regarding partial demolition and rebuilding works with a larger volume and usable surface area, failing to comply with current Urban Planning Regulations. By letter with prot. no. IPZS 0079278 of 12 December 2017, Poligrafico waived this procedure in view of the forthcoming new request for compliance associated with a more conservative measure to restore the existing constructions without an increase in volume.

In order to facilitate the implementation of property modernisation projects, negotiations were held with individual contact authorities which resulted in the preparation of a Statement of Intent for modernisation and valuation projects to be carried out on Poligrafico property assets in Rome. The authorities involved are: Roma Capitale – City Planning Department, with the Department Chairman as signatory; MIT – Interregional Public Works Purchasing Departments for Lazio, Abruzzo, Sardinia; MiBACT – Archaeology, Fine Arts and Landscape Trust for the City of Rome.

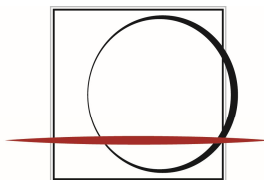
Spaces at the Zecca facility have been restructured for dedication to Cassa Speciale activities and its related Control Office, allowing the transfer of employees of the Ministry for Economy and Finance and the Cassa Speciale vaults from the property in Via Tor Sapienza. The building is currently vacant and the most suitable methods for sale of the property, no longer instrumental to Poligrafico activities, are currently being assessed.

Improvement works were also carried out to increase the efficiency of security controls at the Cassa Speciale vaults of the Coppito police unit in L'Aquila, also used to transfer materials held at Tor Sapienza.

Again in 2017, the Foggia plant undertook important modernisation and maintenance works and further major activities are planned that will lead to complete modernisation of the buildings and the production departments associated with the new production processes linked to reactivation of the second continuous processing machine.

In fact, projects and works began to upgrade various buildings in compliance with the Business Plan for the installation of the new continuous processing machine and the





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production of security elements (holography and hologram application). These works involve upgrading of the buildings and the plant perimeter, from a functional, structural and layout view, with particular regard to safety and security aspects.

Demolition of the buildings already in disuse and in irrecoverable condition is also envisaged. To this end, contact commenced with the relevant Trust to obtain the necessary authorisations. 2017 saw conclusion of the verification procedure of cultural interest in relation to the chimney of the former Lurgi plant, the Diaz school and buildings 25 and 26.

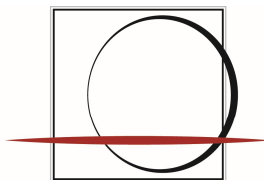
Activities related to valuation of the Nomentano Centre continued during the year through the pilot project implemented with the Ministry for Economy and Finance. The environmental profiling of the site has commenced, a necessary step in reaching a final value for the site which since the early 1900s housed a paper mill with related industrial production. At the same time, works continue to empty and improve the usage efficiency of the warehouses on site.

Major internal restructuring works were carried out in the production sectors which led to the start-up of a new Digital Printing Department at the Salario Centre, together with a new central warehouse facility for storing the finished product. Works are also in progress at the plants in relation to the security installation for access control to the departments and to optimised use of security deposits linked to minted products as well as warehouses for common products.

For the Verrès plant, following the elimination from production of the 1 and 2 cent coins, it was possible to optimise the arrangement and number of machines installed in the industrial shed used to produce the planchets, offering a change of strategy that will lead to the creation of a new registration plates line in the Coinage shed in place of the planned demolition and reconstruction of the CPV shed, with considerable savings in terms of property investments associated with the line and the opportunity to bring forward the execution times for readying the production spaces.

Upgrading works were also carried out inside the same working shed to host the new copper-plating line for planchets.

The need to improve business continuity conditions led to the planning of a series of infrastructural works allowing the implementation of IT and security tools for all of Poligrafico. In particular, works were carried out during the year that allowed start-up of the new Data Centre rooms in Hall C and the network cabling at the Salario Campus. Planning activities were completed and the order subsequently submitted for construction of the Data Centre at the Zecca plant. Actions were defined that will lead to implementation of the Data Centre at the Foggia site and construction of the environment at the Salario Centre, which



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will allow the grouping of safety control and system layout functions serving the buildings to give an integrated system with the functions of a modern Building Management System.

With regard to the upgrading of the property in Via Principe Umberto, Poligrafico began a partnership with Università La Sapienza in Rome to learn of possible areas for enhancement, defining the use of this historic building as the final home of the Poligrafico Museum, the Scuola dell'Arte della Medaglia and the cultural activities associated with the company's past and present production, through the introduction of multiple educational, artistic and craft functions and limited accommodation servicing the cultural centre departments.

During 2017, the buildings safety conditions were improved through safety works on the facades, restoration of the monumental doors and an improved fire safety system.

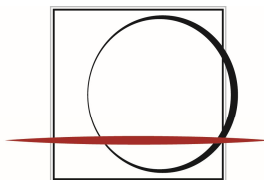
In order to allow continuously improved workplace safety, the fire prevention systems and controls at the Salario Centre were upgraded and works were planned for the Foggia plant as mentioned previously. For the Foggia site, the safety conditions of a number of buildings and the chimney were also checked and building consolidation works commenced.

As part of physical security improvements at the Verrès plant and at the Salario Centre, works began on the construction of new video surveillance systems in the departments and outside the premises.

With regard to energy savings, during the year an audit began on all the systems and the upgrading works on the environmental comfort systems at the facility in Via Marciana Marina (Hall A) are at testing stage. These activities will bring the property into energy class A. Transformation also continued of the lighting devices through recourse to LED technology, the works for which envisage a fast return on the investment associated with the longer useful life of the bulbs and reduced use of the electricity required for them to work. All the new works in any event envisage the replacement of fixtures and fittings with elements suitable for energy efficiency and recourse to heat/air conditioning generation using heat pumps, where possible. All the new systems envisage remote monitoring and control.

As part of the system maintenance activities for the properties, the tender procedure is at experimental stage for the Global Service for the Rome plants and the maintenance plans for these plants have been adjusted and updated.





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## Research, Development and Innovation

Research and technological innovation activities continued during the year with the development of numerous projects that will allow the company to monitor the market, improve the efficiency of production processes, quality and the innovative nature of products, using new technologies. The guidelines adopted referred to strengthening the security requirements of the company's core products, especially in the field of counterfeit prevention, the development of new traceability solutions and the use of technologically advanced solutions for the provision of new value-added services, and monitoring of the patenting procedures for the solutions and products identified.

### *Production Technologies and Quality System*

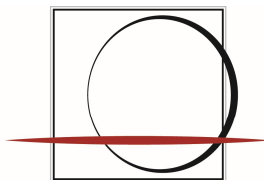
In particular, in 2017 research and development activities were completed for the passports with data pages in polycarbonate film, a solution certified by an accredited third-party body, and used to produce the new passport for the Vatican State.

After definition of the technical characteristics, the industrial system for environment-friendly copper plating (cyanide-free) of the Eurocent plachets was completed and installed at the Verrès plant.

For the insourcing project of security cards, production continued of proofs and counterproofs for the creation of watermarking rollers.

The following projects were also launched in partnership with the Bruno Kessler Foundation:

- *identification document in card format with biometric cardholder recognition sensor*: as part of this project, a study of prior art was carried out to identify a technology that was “freely usable and/or patentable” to create an innovative biometric sensor capable of simultaneous verification of multiple biometric parameters, and the patenting stage commenced for the purpose of “concept of idea” protection;
- *development of low-cost RFID devices for chain tracking*: a study of technologies available on the market was carried out and, as reference scenario, the development of combined antenna array devices was identified. This development is to verify the possibility of use of chipless technology in chain traceability;
- *special materials for the implementation of security elements*: a study was conducted into the prior art and technologies usable as part of this project to optimise the customised markers for use in banknote production;



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- *coatings for minting dies*: a study was undertaken and the most suitable steels selected for the optimisation of surface treatments capable of increasing the useful life of minting dies for standard coin production.

### *Information technology*

In line with the Business Plan, research and development activities aimed to explore new application areas, strengthen partnerships with the State Police, create new products and services, and promote the image of Poligrafico as a major player in innovation.

*Idea*: the first Android app was made more robust with faster recognition of the Machine Readable Zone. At the request of various municipalities, remote diagnostics functions were added to detect the cause of any EIC, electronic passport and electronic residence permit problems in the field.

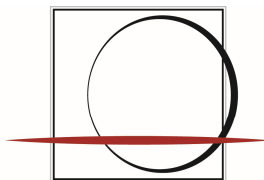
*Trust Your Wine*: Poligrafico's second app for Android and iOS platforms published. Using the barcode printed on DOC/DOCG wine labels, the app displays information about the product and guarantees authenticity of the label.

A number of executive agreements were signed during the year:

- Bruno Kessler Foundation: planning and development activities commenced in July 2017, conducted by a joint Poligrafico/Bruno Kessler Foundation team. Research activities will relate to mobile security solutions based on smart cards. The scenario under development offers authentication of services on smartphones by means of an app and an EIC. The solution is compatible with the SPID as it is based on SAML protocol.
- Engineering and Information Department (DIET) of Università La Sapienza, Rome. The three-year agreement mainly aims to verify the security of radio frequency protocols for the EIC 3.0.
- Bari Polytechnic for research into innovative tracking solutions based on nuclear magnetic resonance.

Contact was also initiated with: ARPA Lazio, for the use of samples collected during institutional activities for the construction of a reference database to be used with Bari Polytechnic; SIA, for testing of the potential use of EICs in payments, compatible with provisions of the European PSD2 Directive. Potential testing was outlined for EIC usage at points of sale as an ID document, payment instrument or authentication for online transactions. Lastly, a study was launched into blockchain technology in the identification and tracking field.

*5G tender*: a usage option proposed for the testing of 5G mobile technology. The project - the use of EICs to authorise the use of fleet vehicles - was selected for subsequent stages of the project. The possibility of using the EIC as an authentication tool in a digital ID format that could be called "eIDAS" was verified.



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Within the framework of promoting the innovative image of Poligrafico was the participation in the “Makers Faire” in Rome and in the Hackathon organised by the Prime Minister’s Office with EIC-based solutions.

The study into Digital Registration Plates continues, with identification of performing solutions that can also be used on roads with fast-flowing traffic. Partnership with ANAS proposed for road testing.

Two specialist courses were organised and provided to the Scientific Police and the Border Police on electronic documents.

A proposal was prepared for the new Emergency Travel Document (ETD) at the request of the European Commission.

Lastly, participation in the ICAO New Technology Working Group recommenced. Through this it was possible to verify the state of the art on electronic documents and the latest market trends.

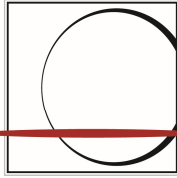
### *Holography*

As regards holography, R&D activities focused mainly on the planning and control of investments needed to create a new dedicated production unit at the Foggia plant with a completion timeline of the end of 2018. In particular, the characteristics were defined, technical specifications drafted and tenders published in relation to the following production and non-production systems:

- Rotogravure press
- Vacuum metallizer
- Hot embossing press
- Primary cutting line
- Secondary cutting line
- Afterburner
- Inspection systems for quality control

A number of these tenders requiring longer construction times were already awarded and the winning suppliers have already started work on their respective contracts. The remainder are at a more or less advanced stage based on their construction times, but always in line with the time limit originally stated. In addition, targeted scouting was carried out to identify and later introduce innovative technological solutions in the production of security elements for watermarked paper. In this respect, the 2018-2020 Business Plan (Research & Development) includes the following projects:

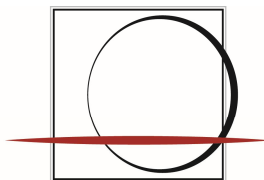
- Development of holographic bases.
- Development and insourcing of holographic equipment production.



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- Development of a distinctive security feature for filaments/holograms.

These projects aim on the one hand to improve the status quo of holographic and other productions and, on the other hand, to define the distinguishing elements and characteristics through the development of proprietary security elements.



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## Artistic production chain

The artistic departments of the Company have continued to ensure the activities of artistic design, planning and creation of the business products, corresponding with the requirements of the various external buyers, institutional and otherwise.

The coin collection issues during 2017 were, as usual, dedicated to topics and anniversaries of national interest. The main new aspects were: the gold micro-coin (with €10 face value, 3g of gold), which started the Roman Emperors series by featuring Hadrian; the first two-tone coin in base metal with a €5 face value and dedicated to Totò.

Another major topic was the “60th Anniversary of the Rome Treaties”, celebrated with a €2 precious metal coin and a 9-coin series that contains it. A postage stamp for €0.95 was also dedicated to this topic, with the draft developed by the Scuola dell’Arte della Medaglia, issued on 25 March 2017.

Much appreciated by collectors was the €2 coin dedicated to the “400th Anniversary of the Completion of St. Mark’s Basilica in Venice”, presented in Venice with local and religious authorities in attendance.

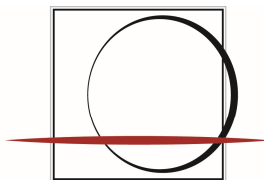
Other events organised to present the issues were held at the Galleria in Milan, to which the silver €10 coin “*Architetture del ferro*” was dedicated for the Europa Star programme, and in Matera, whose splendid Sassi featured on the €10 proof of the *Italia delle Arti* series.

Achieving even greater success, however, was the additional issue dedicated to the “60th Anniversary of the First Fiat 500”, a boxed-version €5 coin in precious metal that was sold out within three days of its issue on 26 October.

Given the close partnership with the Ministry for Economy and Finance, in 2017 it was possible to gradually bring forward all the decision-making steps and, consequently, the production stages of the 2018 coinage.

This made it possible to present the first 2018 issues, dedicated to the “70th Anniversary of the Italian Constitution”, already on 27 December 2017.

This coin, along with the postage stamp dedicated to the same anniversary, was presented by the Senate President, Pietro Grasso, in the same hall where the Constitution was signed 70 years earlier, with the press and authorities in attendance.



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### *Scuola dell'Arte della Medaglia* [School of Medallion Art]

The 2016-2017 school year, that began on 2 November 2016 and ended in July 2017, was its 110th year, with thirty-five students for the standard course (including one international student), nine for the preliminary course and seven scholarship holders.

The introductory course ended on 28 June, whilst the standard course closed on 13 July 2017.

The 2017-2018 school year began on 6 November 2017 and will end in July 2018, with twelve students selected through a specific competition announcement.

The activities governed are: direct etching, bas relief modelling, design, bonding and embossing, wax modelling, high smelting, 3D design, high relief and 3D shaping, history of coin and medallion art, coin and medallion minting technology, computer graphics applied to medallions and coins, restoration, preservation and reproduction of works in wax, minting and coinage articles, micro-shaping, chalcography etching, hard stone etching.

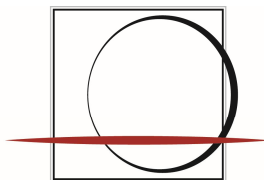
Among the projects implemented during the period are: the 2017 calendar medallion and the prototyping of 2018, 2019 and 2020 medallions; the medallion commemorating the 220th anniversary of the Italian flag, requested by the publishing house Priuli & Verlucca Editori. The medallion was produced in an 80mm diameter bronze version and a 50mm diameter silver version with 999 pieces made.

The Prime Minister's Office invited the Scuola dell'Arte della Medaglia to submit designs for a celebratory medallion for the 60 years of the Rome Treaties. Scholarship holders created the base model and the digital D & R model and the medallion minted by Zecca.

For the Immaculate Conception celebrations in Rome for the Pope's visit, a bas relief was produced - commissioned by Onarmo - depicting the sacred image of the Madonna and Child between St. Francis of Assisi and St. Bernardino with a kneeling donor, painted in 1490 by Carlo Crivelli (ca. 1430-ca. 1495), held at the Walters Art Museum in Baltimore. The Vatican State Secretariat invited the Scuola dell'Arte della Medaglia to submit designs for the official issue of the year V Papal Medallion for Pope Francis. Thirteen graphic arts projects were created for this purpose.

Once again this year the Zecca production "Sesterzio d'argento - Premio cinematografico, Roma, il Set nella Città a Le Jardin du Russie" awards were held in Rome to celebrate Rome and arthouse cinema. The registration plate, the prototype for which was created by SAM in 2007, is awarded each year to the best film set in Rome.

The School collaborated in the creation of the company calendar: the project involves all the corporate plants. Created using photographs that aim to highlight the work as Poligrafico's



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identifying element. The machines are seen as a technological tool as well as a thing of beauty, giving importance to the work environments and activities.

During the year, the school hosted and held meetings with institutions and major entities, including designers of the Richemont Group's Creative Academy, and organised three Open Days for schools.

As part of the MEF Project for Alternating Education and Employment of the MIUR (Ministry for Education, Universities and Research), the Ministry for Economy and Finance invited Poligrafico to attend two meetings at its offices, organised in January 2017, regarding an MEF project for the MIUR Alternating Education and Employment initiative with scientific and classic studies high schools in Rome. Lessons were given on the iconographic reading of Italian coins from the lira to the euro, inviting young people to take an interest in coins as art and culture.

The Scuola dell'Arte exhibited its works at the World Money Fair in Berlin (3-5 February 2017) on the Poligrafico institutional stand, with the display of around 19 of the most recent works completed.

*Promotion plan for 110 years of business of the Scuola and the historic Zecca building.* Initiatives aimed at representing the company were organised, highlighting specific features of the location and its activities. For this reason, an educational-scientific publication was created entitled: *La Scuola dell'Arte della Medaglia, una storia attuale*. During 2017, drawings and models were created by scholarship holders for a medallion commemorating the 110 years of the SAM. Lastly, with the aim of enhancing the beauty of an industrial site currently in progress, an exhibition was organised entitled "*La materia, la tradizione e la creatività contemporanea*".

### *Corporate Identity*

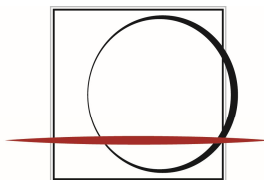
2017 marked a period of enormous change in the history of the Company's image with the adoption of a new logo which, with the vitality of the red and the fullness of the black, the dynamic impression of the circle and the forward-looking movement of the two-point line set in the stability of the surrounding square, represents the innovative driving force and dynamism that have characterised these last few years of management.

Designed in-house for the first time, the logo was selected via an ideas competition reserved for employees.

### *Events Promotion Management*

In 2017, Poligrafico participated in international and national promotions where its institutional presence was combined with the promotion of products and services under the



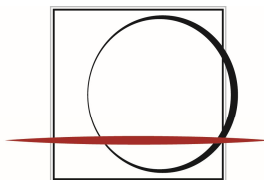


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“Poligrafico” brand name. The main events that saw the Company’s participation can be grouped into four specific areas:

- *Participation in commercial initiatives:* national trade fairs which, combined with the institutional presence, exhibit the marketing/sales of products and services under the Company’s trademark.
- Vinitaly, the reference expo for the wines and wine-growing industry to promote the use of origin protection markings. The following events were organised in partnership with the Prosecco Consortium: Prowein – Dusseldorf; Vinexpo – Bordeaux; London Wine Fair – London.
- Milanofil, Veronafil, Italiafil, Salone della Filatelia e Numismatica di Foggia Riccione 2017 Convegno di Primavera – Bologna and Più libri Più liberi – Rome. These are philately and coin collection events or publishing sector events, where Poligrafico’s traditional commercial products are displayed and sold.
- *Participation in initiatives of international significance:* international events in the industry, attendance of which for a public company like Poligrafico is of an institutional nature, called upon to generate products, services, databases and technologies for the sector.
  - World Money Fair - Berlin - An institutional coin collectors’ event, leader in the coin collection field and attended by the most important of the world’s mints, where the coin collection of the year award is presented;
  - Trustech - Cannes Technology sector events. This is the world’s most important event for smart cards and new applied technologies in digital security. It represents the strategic international crossroads in the field of reliable technologies, hence the new name, becoming the venue where future technologies and the trademarks of tomorrow take shape and develop. Public interest in the new Integrated Single Document (combining the Electronic ID Card and Healthcare Card), the electronic Passport, electronic Driving Licence, electronic Residence Permit and the development of other cards useful to accessing the digitisation process started with the Digital Company for PA access.  
Events of this nature are held at the Berlin Stamp Tax Forum, SDW Conference Berlin and Security Document World London.
- *Participation in events/add-on presentations:* presentations of coins or books organised by institutions, authorities, municipalities on the release of publications, the issue of coins in the coin collection for the current year, the production of awards/non-postal





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stamp issues commissioned by associations and foundations (presentation of the Prison Officers' coin; 2017 Guido Carli Award; presentation of the St. Mark's Basilica coin; Sesterzio d'Argento Award 2017 Il set nella Città - Roma - Gran Melià; Booklet for the 37th Anniversary of the Bologna Station Massacre; "Architettura del Ferro" coin sale; presentation and sale of the "Sassi di Matera" coin; presentation of the Pistrucchi book and concert - Zecca Museum.

- *Initiatives mainly of a learning and educational nature* targeting companies and trade associations in the form of conferences or courses : National A.N.U.S.C.A. Conference - Igea Marina Make Faire - Rome PA Forum.

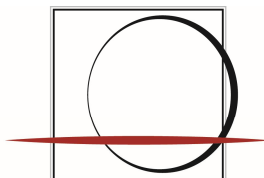
### *The Zecca Museum*

In 2017, the valuation process for the artistic heritage of Poligrafico continued with the promotion and use of the Zecca Museum. Cataloguing continued of the extraordinary wealth of artistic assets housed at the Museum (at present with a collection of over 20,000 pieces, including 11,000 antique coins, 6,600 medallions and 2,500 designer materials), and likewise promotion activities through:

- guided visits of the museum, involving private and especially public schools;
- meetings with customers or institutions at the Museum;
- presentation events of books, medallions or coin collection products.

Also through partnerships with other Museums and Institutions (MISE, MEF, MiBACT), a process was initiated to create a single Museum complex that brings together the various topics linked to Italian art history. In this respect, a procedure was undertaken at the Zecca Museum which envisages its expansion by adding a weights and measures and a philately section, complete with related designer materials and unique works of immense historic and cultural value.

The purpose of the Zecca Museum is to develop and disseminate awareness of the history and culture of the population through the custody, study, interpretation and valuation of its coin collections. For this reason, the Museum targets visitors and users of all ages, incomes, educational levels and origin, designing visit experiences and innovative usage methods that stimulate understanding of fine metal arts. The Zecca Museum is therefore not only a history preservation venue, but also a space to meet, debate and reflect. The Museum also has new functions inspired by the philosophy of materiality: therefore not only does it display collections, but also has interactive stations and the chance to see the fine metal arts experts at work.



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## Zecca

In 2017, the demand from the Ministry for Economy and Finance to mint euro to be put into circulation was for 526 million coins, up on the figure for the previous year. There is still a strong concentration in the “copper” coins, which account for around 90% of the total contingent.

Value	2017 coins ordered in millions	Composition %	2016 coins ordered in millions	Composition %	Change
€0.01	260	39.70	160	39.70	100
€0.02	150	34.74	140	34.74	10
€0.05	60	17.37	70	17.37	(10)
€0.10	40	3.72	15	3.72	25
€0.20	5	1.24	5	1.24	0
€0.50	3	1.24	5	1.24	(2)
€1.00	3	0.74	3	0.74	0
€2.00	5	1.24	5	1.24	0
<b>Total</b>	<b>526</b>	<b>100</b>	<b>403</b>	<b>100</b>	<b>123</b>

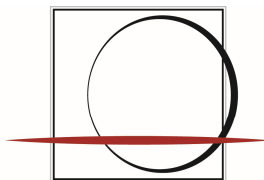
The quantity is around 31% higher than in the previous year. For 92% of the contingent, production referred to 5, 2 and 1 cent coins. 98% of the contingent was prepared and 502 million standard circulation coins were delivered to the Cassa Speciale, ready to cover the circulation plan of MEF Division VI, Office VII.

Coin production in precious metal related to around 0.31 million coins required to make up 43,208 coin collection products. 42,420 proof coins were produced in base metal.

As regards coin production in precious metal, 19,850 coins were minted in precious metal and 20,630 as proofs.

Around 1.4 million standard coins and 0.5 million coins in precious metal were minted for the Republic of San Marino. 26,703 proof coins were produced in base metal. In relation to coin production in precious metal, 18,800 coins were minted in precious metal and 5,113 as proofs.

For the Vatican State around 2.3 million standard coins, 0.8 million coins in precious metal and 100,523 proofs in base metal were minted. 29,919 proof coins were minted in precious metal.



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The minting of coins for standard circulation and in precious metals as proofs (Italy, Republic of San Marino and Vatican State) was completed in November and allowed production of the 2018 contingent to begin as early as December.

For medallion minting, the year closed with production of 25,620 Italian medallions and 10,610 French medallions.

Added to these productions are the activities to create 93 silver and bronze plaques, 36 silver letter openers, 175 sand castings (bas reliefs) and 1 full-relief casting (three-dimensional) of the bust of Ciampi and the production of 636 tokens for RAI.

To complete the 2017 contingents (Italy, Republic of San Marino and the Vatican State) approximately 7,100 medallions were minted. Around 2,186 stamps were produced whilst approximately 3,000 were broken up. In addition, 363 tonnes of lire coins of various values and no longer of legal tender were broken up, and 390 tonnes of broken-up coins were sent for metal recycling (including a part of the quantity broken up in 2016).

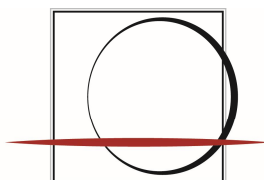
For the first time, 2017 saw a two-tone coin for the Republic of Italy with a face value of €5 to celebrate the “50th Anniversary of the Death of Totò”, with the same innovative characteristics as the Republic of San Marino coin minted in 2016.

During the second half of the year, projects were implemented concerning the 2018 coinage for the Republic of Italy, of particular note amongst which was the coin dedicated to the 70th Anniversary of the Constitution.

The coin was designed, as proofs and the precious metal versions, with special modelling that uses two coloured enamelling areas to enhance a characteristic transparent colouring, absolutely one of a kind.

The insourcing project began for the production of rings for the two-tone €2 coin with industrialisation of the “RINGMASTER” equipment on the vertical MRV 150 press already installed at Zecca. With the innovative objective, compared to previous years, of participating in the Berlin Coin Collectors Fair with a representative sample of all 2018 coin production of the Republic of Italy, most of the designer material for production of the 2018 coins has already been made.

The Zecca facility participated in the MDWG (Mint Directors Working Group) at which new technical specifications were defined for the 5, 2 and 1 cent coins that will allow reduced thickness of the copper starting from new supplies of copper-plated planchets.



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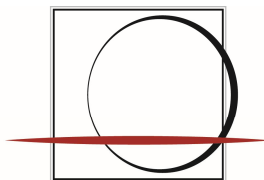
*Zecca Segment Report*

In application of art. 1, Ministerial Decree of 8 August 1979, the Zecca segment report was prepared, not subject to audit, which records a loss in 2017 of around € 4.6 million, illustrated below in its reclassified form.

<b>Reclassified Income Statement</b> (values in €/000)	<b>2017</b>	<b>2016</b>	<b>Changes</b>
Revenues from sales and services	37.493	30.961	6.532
Change in inventories of work in progress, semi-finished and	(215)	(539)	324
Change in contract work in progress	0	(1.373)	1.373
<b>Generated during the year</b>	<b>37.278</b>	<b>29.049</b>	<b>8.229</b>
Purchase of raw materials, consumables and goods for resale	(19.780)	(10.883)	(8.897)
Change in inventories of raw materials	(449)	1.335	(1.784)
Services	(6.421)	(5.847)	(574)
Use of third party assets	(300)	(305)	5
Other operating costs	(826)	(825)	(1)
Other revenues and income	155	339	(184)
<b>Value-added</b>	<b>9.657</b>	<b>12.863</b>	<b>(3.206)</b>
Personnel costs	(13.034)	(12.630)	(404)
<b>EBITDA</b>	<b>(3.377)</b>	<b>233</b>	<b>(3.610)</b>
<b>Amortisation/Depreciation</b>			
Intangible assets	(98)	(98)	0
Tangible assets	(1.160)	(1.087)	(73)
<b>EBIT</b>	<b>(4.635)</b>	<b>(952)</b>	<b>(3.683)</b>
Financial income and charges	0	0	0
Adjustments to financial assets	0	0	0
<b>Profit before tax</b>	<b>(4.635)</b>	<b>(952)</b>	<b>(3.683)</b>
Taxes for the year	0	(308)	308
<b>Profit for the year</b>	<b>(4.635)</b>	<b>(1.260)</b>	<b>(3.375)</b>

2017 turnover was € 37.5 million, up with respect to 2016 (€ 31 million), and Zecca activities during the year were affected by the following trends:

- o the 2017 contingent was larger than that of the previous year in terms of the quantity minted (526 million compared to 426 million in 2016). The mix of individual coin values focused on the lower value coins - 1, 2 and 5 cents - totalling approximately 92% of the contingent. The turnover for standard circulation Euro coins was down, mainly as a result of the delivery of a significant portion of the 2017 quota of coins in the first few months of 2018 (around €2 million in turnover);

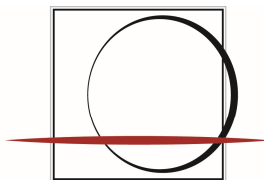


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- revenues increased in relation to implementation of the RAI contract for the production and delivery of gold tokens to gameshow winners (€ 6.5 million compared to € 2.4 million in 2016);
- the quantities of standard and commemorative coins minted for the Republic of San Marino and the Vatican State decreased, as did the medallion and coin collection minting. The number of employees at year end was 157, compared to 158 in 2016. 16 employees left the company in 2017 and were fully replaced by new hires.

As a result of the above, EBITDA was negative for €3.4 million. This result also includes a number of non-recurring costs, such as the transfer of the Cassa Speciale from the Tor Sapienza base to the premises at Via Gino Capponi, and the write-down of certain raw materials and semi-finished products (1 and 2 cent steel planchets) that will no longer be produced from 2018 onwards. The segment result was negative for around €4.6 million (negative for €0.2 million in 2016).



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## Accounting Segregation

The action taken by Poligrafico as regards accounting segregation, based on the provisions of Italian Legislative Decree no. 333 of 11 November 2003, was already reported in previous years.

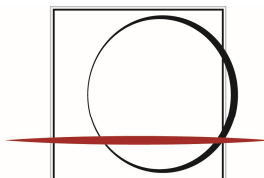
Note that, since it was established, the Company has had the duty of conducting business activities inherent to satisfying the general interests of the State, its administrations and other public entities.

Arrangements were made also for 2017 to prepare an income statement that shows the costs and revenues referring to activities attributable to duties carried out in the general interest of the State and Public Administrations, in line with commitments accepted in previous years.

Based on the analyses conducted, it emerges that Poligrafico can continue to be eligible for exemption from the obligation to implement accounting segregation, in consideration of the fact that the minimum threshold has not been reached, given that the percentage of 2017 turnover not attributable to functions carried out in favour of the State and Public Administrations equals around 4% of the total.

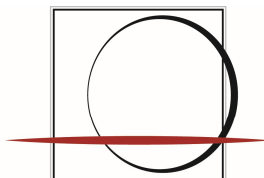
Based on these assumptions, the following reclassified income statement was prepared, not subject to audit, to provide a summary illustration of the segregation of values.

Also note that, for costs relating to common services (administration and finance, purchasing, legal affairs, internal audit, personnel, etc.), inclusion in one of the two “business segments” was arranged on the basis of chargeback parameters consistent with the actual “consumption” of such indirect functions by the segments concerned.



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<b>Reclassified Income Statement</b> (values in €/000)	<b>Activities managed for the State and P.A.</b>	<b>Activities for the market</b>	<b>Total</b>
Revenues from sales and services	356.226	16.348	372.574
Change in inventories of work in progress, semi-finished and finished products	21.883	(575)	21.308
Change in contract work in progress	(10.738)	0	(10.738)
<b>Generated during the year</b>	<b>367.371</b>	<b>15.773</b>	<b>383.144</b>
Purchase of raw materials, consumables and goods for resale	(47.081)	(13.764)	(60.845)
Change in inventories of raw materials, consumables and goods for resale	3.086	8	3.094
Provision of services	(64.248)	(326)	(64.574)
Use of third party assets	(1.782)	(4)	(1.786)
Other operating costs	(4.755)	(32)	(4.787)
Other revenues and income	11.712	41	11.753
<b>Value-added</b>	<b>264.303</b>	<b>1.696</b>	<b>265.999</b>
Personnel costs	(97.909)	(839)	(98.748)
<b>EBITDA</b>	<b>166.394</b>	<b>857</b>	<b>167.251</b>
Amortisation/Depreciation	(23.213)	(64)	(23.277)
Write-down of receivables classed as current assets	(52.141)	0	(52.141)
Allocations	(22.000)	0	(22.000)
<b>EBIT</b>	<b>69.040</b>	<b>793</b>	<b>69.833</b>
Financial income and charges	4.728	0	4.728
Adjustments to financial assets	0	0	0
<b>Profit before tax</b>	<b>73.768</b>	<b>793</b>	<b>74.561</b>
Taxes for the year	(24.796)	0	(24.796)
<b>Profit for the year</b>	<b>48.972</b>	<b>793</b>	<b>49.765</b>



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

## Relations with subsidiaries

Pursuant to art. 27, paragraphs c) and d) of Italian Legislative Decree 127/91, Poligrafico has not prepared consolidated financial statements. The agreement for disposal of the subsidiary Editalia was finalised in January 2017.

The subsidiaries, individually and jointly, are immaterial to representing a truthful and fair view of the Group's equity, financial and economic position. In addition, the companies in liquidation were excluded from the scope of consolidation pursuant to art. 28, paragraph 2a) of Italian Legislative Decree 127/91.

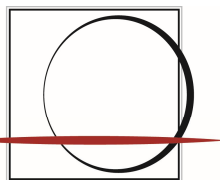
The main details of the financial positions of the subsidiaries are provided below.

### Verrès S.p.A. (in liquidation) (55%)

<b>Shareholders' equity</b> (values in €/000)	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Changes</b>
Share capital	1,836	1,836	0
Legal reserve	4	4	0
Retained earnings	(463)	(360)	(103)
Liquidation adjustments	(991)	(885)	(106)
Profit for the year	(37)	(103)	66
<b>Total Shareholders' equity</b>	<b>349</b>	<b>492</b>	<b>(143)</b>
<b>Income statement</b> (values in €/000)			
	<b>2017</b>	<b>2016</b>	<b>Changes</b>
Revenues from sales	0	64	(64)
<b>Value of production</b>	<b>0</b>	<b>64</b>	<b>(64)</b>
Costs of production	(40)	(184)	144
<b>Value-added</b>	<b>(40)</b>	<b>(120)</b>	<b>80</b>
<b>EBITDA</b>	<b>(40)</b>	<b>(120)</b>	<b>80</b>
<b>EBIT</b>	<b>(40)</b>	<b>(120)</b>	<b>80</b>
Financial income and charges	0	0	0
<b>Profit before tax</b>	<b>(40)</b>	<b>(120)</b>	<b>80</b>
Taxes for the year	3	17	(14)
<b>Profit for the year</b>	<b>(37)</b>	<b>(103)</b>	<b>66</b>

The company was put into liquidation in 2011 and a Sole Liquidator appointed who continued his tasks during the year in accordance with Shareholders' Meeting instructions.



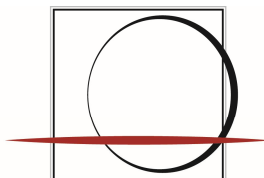


POLIGRAFICO E ZECCA DELLO STATO ITALIANO

One issue which will be pending until the closure of the liquidation refers to the proceedings involving the Treasury Department of Thailand. In this respect, the liquidator reported that during 2017 it might be possible to reach a settlement agreement on the dispute.

At a meeting held with the Treasury Department of Thailand, attended by the liquidator and the appointed legal representative, a draft agreement was reached with the counterparty that would require the Company to pay a total of USD 450,000. The agreement will have to be confirmed by Thailand's Treasury Minister or their specifically appointed agents.

Lastly, in considering the procedure to be in line with the financial plan prepared at the beginning of the liquidation phase, as regards the settlement of liabilities and coverage of costs and charges, the Liquidator envisages that the liquidation procedure will conclude as solvent, regardless of the outcome of the Thailand affair for which, in any event, a specific risk provision has already been allocated in the financial statements.



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

### Innovazione e Progetti S.c.p.A. (in liquidation) (70%)

<b>Shareholders' equity</b> (values in €/000)	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Changes</b>
Share capital	30,000	30,000	0
Legal reserve	0	0	0
Retained earnings	(461)	(434)	(27)
Liquidation adjustments	(85)	(85)	0
Profit for the year	(100)	(27)	(73)
<b>Total Shareholders' equity</b>	<b>29,354</b>	<b>29,454</b>	<b>(100)</b>

<b>Income statement</b> (values in €/000)	<b>2017</b>	<b>2016</b>	<b>Changes</b>
Costs of production	(131)	(99)	(32)
<b>Value-added</b>	<b>(131)</b>	<b>(99)</b>	<b>(32)</b>
<b>EBITDA</b>	<b>(131)</b>	<b>(99)</b>	<b>(32)</b>
<b>EBIT</b>	<b>(131)</b>	<b>(99)</b>	<b>(32)</b>
Financial income and charges	31	72	(41)
<b>Profit before tax</b>	<b>(100)</b>	<b>(27)</b>	<b>(73)</b>
<b>Profit for the year</b>	<b>(100)</b>	<b>(27)</b>	<b>(73)</b>

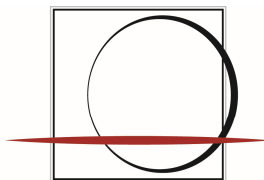
The company was put into liquidation in 2007, later suspended in 2008 by the Court of Rome on acceptance of the injunction order proposed by the shareholder Selex. It was again placed in liquidation on the orders of the Court of Rome on 20 October 2011, which considered the decision to wind up the company to be legitimate and not involving abuse of powers.

Taking into account the appeal filed in the meantime by the shareholder Selex, on 29 May 2012 the court remanded to 22 November 2016 the final decision in the appeal filed by Selex Service Management S.p.A. against decision no. 20411/2011 in favour of the company.

This hearing on 17 November 2016 was adjourned as a matter of course to 14 February 2017.

On that date, the bench therefore adjourned the case for decision, granting the legal deadlines for final submissions, filing of final summonses and filing of closing reply briefs (i.e. 8 May 2017), which were duly arranged.

Subsequently, by order notified on 20 December 2017 by the Court of Appeal, the hearing was replaced on the court register and the case adjourned to 9 January 2018, when the President of the Court reported the “loss” of the entire proceedings papers, for both the appeal and first instance cases, and at the same time adjourned the case again to the hearing



## POLIGRAFICO E ZECCA DELLO STATO ITALIANO

of 27 February 2018 for the final decision, ordering the Clerk of Court to complete a further search for the court proceedings papers and, if unsuccessful, to request help from the parties to reconstruct them and file them with the Registry by 19 February. Having completed this action at the hearing of 27 February 2018, pronouncement on the case was again withheld and deferred directly to the presiding member of the bench for decision.

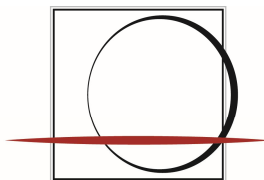
In view of the legal action taken by the shareholder Selex Service Management S.p.A. and its heavy claims for compensation for damages, pending the decisions that the Magistrates Court should have considered capable of pronouncing in relation to these proceedings, the Liquidator has decided that, at present, the final liquidation transactions to wind up Innovazione e Progetti will not be carried out. The liquidation transactions were therefore carried out in accordance with provisions of the Liquidation Plan, essentially consisting in investing the liquid assets, fulfilling statutory and tax-related obligations envisaged by law and the settlement of credit and debit items outstanding and falling due.

With no personnel under its immediate responsibility, the management activities were carried out directly by the administrative body, making use of the limited services provided by the parent company and third parties due to the minimised administrative tasks.

The company closed the year with a loss of € 100 thousand and shareholders' equity of € 29.4 million.

Given the company's lack of operations, interest income accrued on current accounts in which shareholder payments of share capital are paid, further reduced compared to previous years following the decline in interest rates, proved insufficient to cover the structural costs incurred, which were at the same level as the previous year and essentially comprised remuneration of corporate bodies and other administrative costs. Despite having arranged a new valuation, the consistency of provisions for risks and charges were not changed as they prove adequate to meet the estimated overall total of costs and charges expected to be incurred for the liquidation, net of income forecast as achievable, providing coverage - albeit partial - of those costs and charges.

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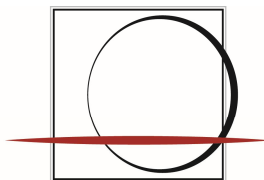
*Significant events after year end and business outlook (art. 2427, paragraph 22-quater, Italian Civil Code)*

In 2018 the Company will continue its action to construct a solid business structure based on innovation and capable of efficiently carrying out the mission conferred upon it by the State: to ensure public trust.

Management action for the current year is within a strategic framework that aims to further strengthen the Company in the key segments of identification documents and anti-counterfeit, and the secure processing of sensitive data, also through diversification of the product mix and opening up to new markets. In particular, these involve:

- the implementation of extensive works to renew the production lines and digitise the processes. In this respect, it is worth emphasising that 2018 will see the launch of investment programmes for the new registration plates line and for electronic passports, special/watermarked paper production systems and holographic systems. Particularly significant programmes from a dimensional point of view, complex in technological terms and which, preliminarily, require works to adapt the properties expected to house the machinery and articulate public tender procedures to be carried out.
- related adoption of a business model characterised by internal control of strategic activities from a security point of view;
- development of ICT programmes associated with the Cloud architecture and Business Continuity;
- intensification of research and development activities, also through recourse to new partnerships with leading organisations/institutions/universities;
- continuation of environmental reclamation works, upgrading of property assets and enhancement of the artistic and cultural heritage;
- improvement of the physical and logical security systems;
- development and enhancement of professional skills.

Art. 13-quater, Italian Law no. 96 of 21 June 2017 (Minting suspension of 1 and 2 Eurocent coins) envisaged that from 1 January 2018 Italy's minting of coins with 1 and 2 Eurocent face values will be suspended. The savings resulting from the implementation of this paragraph are allocated to the Government securities amortisation provision, though during the year under review the 6th Finance Commission expressed its unfavourable opinion on the repeal of the aforementioned article. The European Central Bank (ECB) also expressed a negative opinion, clarifying that the decision-making power for or against



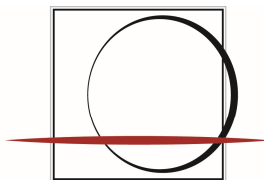
## POLIGRAFICO E ZECCA DELLO STATO ITALIANO

the legal circulation of single currency coins does not pertain to national parliaments, but rather to the European Council. In view of the above, the negative repercussions that will be seen on coin production for standard circulation are evident. For the current year, in fact, the Ministry has quantified its need for standard circulation coins as 323 million, much lower than in 2017 (526 million coins) with inescapable effects on company turnover.

With effect from 1 July 2018, the registration document, prepared in accordance with instructions contained in Council Directive no. 1999/37/EC of 29 April 1999, constitutes the single document containing vehicle registration and ownership details for cars, motorcycles and trailers covered by the registered property regulations of Book VI, Title I, Chapter III, Section I of the Italian Civil Code. Italian Legislative Decree no. 98 of 29 May 2017 (Official Gazette no. 145 of 24 June 2017) introduces the single vehicle registration document for cars, motorcycles and trailers. The new registration document will replace the two current documents: the vehicle ownership title, under the responsibility of ACI, and the vehicle registration document produced by the Italian driver and vehicle licensing centre, as envisaged in other European countries, and will allow optimisation of the costs of production, archiving and administrative controls. The single document will also have a single tariff, which will replace the Italian road tax and fees for inclusion or transcription of each vehicle in the PRA (public vehicles register). The registration documents issued prior to the entry into force of the decree and even those issued afterwards will remain valid until 1 July 2018. Pending adoption of the Interministerial Decree envisaged in art. 2, paragraph 2, on setting a single tariff for the issue and updating of the registration document, the application of the new regulatory measure envisaged for July 2018 is subject to a condition precedent linked to the issue of a subordinated decree.

In January 2018 and at the request of the MIUR, celebratory booklets were produced on the 70th anniversary of the Constitution's entry into force, for distribution to all Italian students.

In March the statements on post office securities for 2007-2011 were approved, the receivables for which were fully covered by advances. The VAT on these receivables amounts to €11.7 million and will be paid in April. Lastly, following approval of the settlements relating to 2017 deliveries of traditional, postal and electronic documents, covered by advances, the related VAT became payable for around €47.6 million and this will also be paid in April.



## POLIGRAFICO E ZECCA DELLO STATO ITALIANO

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As regards business activities, the first few months of 2018 are characterised by a positive performance for turnover compared to that recorded in the same period of the previous year.

From an economic and profit-related point of view, also in relation to activities carried out by the Company in the first few months of the year, it is expected that the positive results will be maintained, in line with 2017, and allow an adequate self-financing capacity to meet the challenging plans for technical, IT, property and research investments.

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In relation to the above, in line with the revamping of the corporate mission, management leverage in 2018 will increasingly focus on enhancing the Company's capacity to act as a point of reference in protecting the primary interests of the State through products, services and designs of strong intrinsic value, in terms of guarantees of security, health protection, anti-counterfeit and traceability.

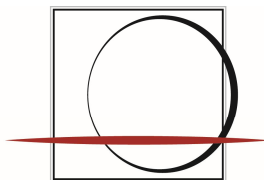
The focus on plant efficiency conditions, spending trends, strict management of company finances and "system building" capacity will be incessant, developing understandings and cooperation agreements with partners capable of contributing complementary skills and generating new business.

In parallel with these actions, also in view of the considerable investments required for the projects in question, the action started to find fast solutions to the company's credit position with the Ministry for Economy and Finance will continue.

Activities carried out by the company in the first few months of the year, despite an external reference context with a number of critical variables, in any event indicate that the new strategic guidelines adopted and the developments planned, which see Poligrafico in a central role as guarantor of identity and authenticity, will, in addition to the self-financing of consistent financial commitments to the considerable plan of investments, allow an adequate profit level to be maintained, guaranteeing satisfactory creation of value for the stakeholders.

It is worth to mention that, given the assigned mission of the Company, the possibility of maintaining a satisfactory level of self-financing and a profit margin in any event positive also relies on decisions made outside the Company, associated with those adopted at government level.

With the aim of constant improvement of its strategic structure, market positioning and resulting capacity to create value for the shareholder, the Company will continue to focus

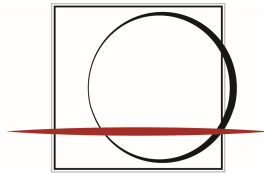


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on improving the efficiency parameters, development, staff training, optimisation of suitable management control tools, active market and customer monitoring to seize all possible commercial opportunities, with the intention of confirming its role as leading operator in terms of technologies and solutions for Public Administration and a centre of excellence in the fields of anti-counterfeit and security.

## THE BOARD OF DIRECTORS

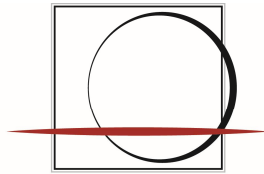


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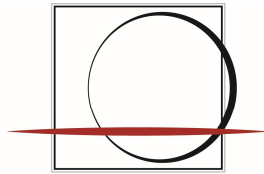
# Balance Sheet





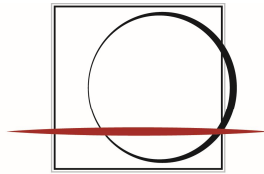
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

<b>BALANCE SHEET</b>			
<b>ASSETS</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Changes</b>
<b>A) Subscribed capital unpaid</b>	<b>65,634,000</b>	<b>98,451,000</b>	<b>(32,817,000)</b>
<b>B) Fixed assets:</b>			
<b>I Intangible assets</b>			
3) Industrial patent rights and intellectual property rights	3,167,270	1,544,460	1,622,810
4) Concessions, licences, trademarks and similar rights	36,808	50,230	(13,422)
7) Other	16,897	33,794	(16,897)
<b>Total</b>	<b>3,220,975</b>	<b>1,628,484</b>	<b>1,592,491</b>
<b>II Tangible assets</b>			
1) land and building	70,411,668	75,026,175	(4,614,507)
2) plant and machinery	36,009,229	38,463,796	(2,454,567)
3) industrial equipment	106,723	129,337	(22,614)
4) other assets	5,249,145	3,507,275	1,741,870
5) assets under construction and advances	18,766,726	6,607,401	12,159,325
<b>Total</b>	<b>130,543,491</b>	<b>123,733,984</b>	<b>6,809,507</b>
<b>III - Financial assets</b>			
1) investments			
a) subsidiaries	20,547,737	20,617,532	(69,795)
a) associates	3,999,492	2,840,513	1,158,979
d) other companies	799	799	0
2) receivables			
d) others			
within 1 year	280,175	888,568	(608,393)
beyond 1 year	2,484,463	2,355,160	129,303
3) other securities	24,955,000	24,955,000	0
<b>Total</b>	<b>52,267,666</b>	<b>51,657,572</b>	<b>610,094</b>
<b>Total fixed assets</b>	<b>186,032,132</b>	<b>177,020,040</b>	<b>9,012,092</b>



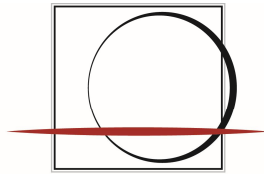
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

ASSETS	31.12.2017	31.12.2016	Changes
<b>C) Current assets</b>			
<b>I Inventories</b>			
1) raw materials, consumables and goods for resale	22,296,600	19,136,396	3,160,204
2) work in progress and semi-finished goods	22,209,723	12,098,326	10,111,397
3) contract work in progress	0	8,290,298	(8,290,298)
4) finished products and goods for resale:	13,439,185	3,657,432	9,781,753
- of which assets held for sale	147,722	114,395	33,327
5) advances	3,548	640,824	(637,276)
<b>Total</b>	<b>57,949,056</b>	<b>43,823,276</b>	<b>14,125,780</b>
<b>II Receivables</b>			
1) trade	44,576,836	30,099,058	14,477,778
2) subsidiaries	9,026	3,006,177	(2,997,151)
3) associates	6,223,577	0	6,223,577
4) parent companies	606,284,304	693,805,612	(87,521,308)
5) companies under parent company control	5,193,504	2,563,153	2,630,351
5-bis) tax receivables	7,244,203	4,248,850	2,995,353
5-ter) tax assets	21,494,972	10,887,000	10,607,972
5-quater) others	4,939,621	2,228,585	2,711,036
<b>Total</b>	<b>695,966,043</b>	<b>746,838,435</b>	<b>(50,872,392)</b>
<b>III - Short-term investments</b>			
1) investments in subsidiaries	0	2,717,826	(2,717,826)
<b>Total</b>	<b>0</b>	<b>2,717,826</b>	<b>(2,717,826)</b>
<b>IV) - Cash and cash equivalents</b>			
1) bank and postal deposits	472,993,204	626,785,910	(153,792,706)
3) cash on hand	64,754	81,178	(16,424)
<b>Total</b>	<b>473,057,958</b>	<b>626,867,088</b>	<b>(153,809,130)</b>
<b>Total current assets</b>	<b>1,226,973,057</b>	<b>1,420,246,625</b>	<b>(193,273,568)</b>
<b>D) Accruals and deferrals</b>	<b>7,516,149</b>	<b>5,197,504</b>	<b>2,318,645</b>
<b>TOTAL ASSETS</b>	<b>1,486,155,338</b>	<b>1,700,915,169</b>	<b>(214,759,831)</b>



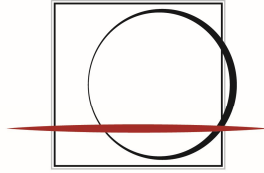
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Changes</b>
<b>A) Shareholder's equity</b>			
I Share capital	340,000,000	340,000,000	0
IV Legal reserve	38,747,650	36,799,730	1,947,920
VI Other reserves			0
Distributable reserve	133,662,816	133,662,816	0
Grants	551,080	551,080	0
IX Profit for the year	49,764,920	38,958,411	10,806,509
<b>Total Shareholders' equity</b>	<b>562,726,466</b>	<b>549,972,037</b>	<b>12,754,429</b>
<b>B) Provisions for risks and charges</b>			
1) pensions and similar obligations	7,492	7,492	0
2) taxes, current and deferred	0	18,237	(18,237)
3) Other			
Transformation costs	0	6,416,563	(6,416,563)
Other	158,152,413	152,049,358	6,103,055
<b>Total provisions for risks and charges</b>	<b>158,159,905</b>	<b>158,491,650</b>	<b>(331,745)</b>
<b>C) Post-employment benefits</b>	<b>21,136,025</b>	<b>24,489,121</b>	<b>(3,353,096)</b>
<b>D) Payables</b>			
4) Payables to banks			
within 1 year	114,241	24,161,670	(24,047,429)
beyond 1 year	178,071	292,312	(114,241)
5) payables to other lenders			
within 1 year	30,220,327	28,909,168	1,311,159
beyond 1 year	36,691,777	66,912,104	(30,220,327)
6) advances	495,513	281,162	214,351
7) payables to suppliers	60,769,165	48,654,464	12,114,701
9) payables to subsidiaries			
within 1 year	7,966	13,700	(5,734)
beyond 1 year	15,750,000	15,761,622	(11,622)
10) payables to associates			
within 1 year	5,734	0	5,734
beyond 1 year	11,622	0	11,622
11) payables to parent companies	113,250,885	145,996,691	(32,745,806)
11-bis) payables to companies under parent company control	484,270	829,023	(344,753)
12) tax payables	463,607,844	514,130,826	(50,522,982)



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

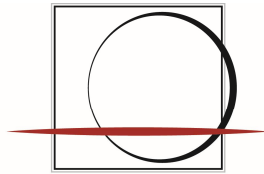
<b>LIABILITIES</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Changes</b>
13) social security payables:			
within 1 year	4,597,409	4,279,068	318,341
beyond 1 year	1,957,295	2,286,660	(329,365)
14) other payables			
within 1 year	13,786,129	112,585,832	(98,799,703)
beyond 1 year			
<b>Total payables</b>	<b>741,928,248</b>	<b>965,094,302</b>	<b>(223,166,054)</b>
<b>E) Accruals and deferrals</b>	<b>2,204,694</b>	<b>2,868,059</b>	<b>(663,365)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,486,155,338</b>	<b>1,700,915,169</b>	<b>(214,759,831)</b>



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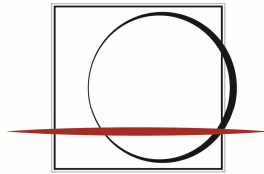
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# Income Statement



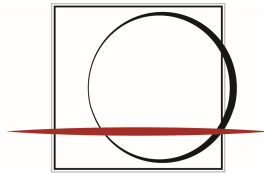
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

<b>INCOME STATEMENT</b>			
	<b>2017</b>	<b>2016</b>	<b>Changes</b>
<b>A) Value of production</b>			
1) revenues from sales and services	372,574,315	345,612,422	26,961,893
2) change in inventories of work in progress, semi-finished and finished products	21,307,281	(346,447)	21,653,728
3) change in contract work in progress	(10,737,645)	(3,017,651)	(7,719,994)
5) other revenues and income:			
a) grants	78,135	68,267	9,868
b) sundry	11,674,440	20,278,104	(8,603,664)
<i>Other revenues and income</i>	<i>11,752,575</i>	<i>20,346,371</i>	<i>(8,593,796)</i>
<b>Total value of production</b>	<b>394,896,525</b>	<b>362,594,695</b>	<b>32,301,830</b>
<b>B) Costs of production</b>			
6) for raw materials, consumables and goods for resale	(60,845,367)	(45,429,891)	(15,415,476)
7) for services	(64,573,701)	(58,921,996)	(5,651,705)
8) for use of third party assets	(1,785,622)	(1,294,125)	(491,497)
9) for personnel:			
a) salaries and wages	(71,448,222)	(66,364,164)	(5,084,058)
b) social security charges	(20,854,850)	(19,445,102)	(1,409,748)
c) post-employment benefits	(5,456,390)	(5,098,369)	(358,021)
e) other costs	(1,292,255)	(4,782,750)	3,490,495
f) recoveries for seconded personnel	303,340	364,779	(61,439)
<i>Personnel costs</i>	<i>(98,748,377)</i>	<i>(95,325,606)</i>	<i>(3,422,771)</i>
10) amortisation, depreciation and write-downs			
a) amortisation of intangible assets	(2,494,453)	(2,499,186)	4,733
b) depreciation of tangible assets	(20,782,251)	(26,251,062)	5,468,811
c) write-down of receivables classed as current assets	(52,141,548)	(41,030,000)	(11,111,548)
<i>Amortisation, depreciation and write-downs</i>	<i>(75,418,252)</i>	<i>(69,780,248)</i>	<i>5,473,544</i>
11) change in inventories of raw materials, consumables and goods for resale	3,094,028	1,430,636	1,663,392
12) provisions for risks	(22,000,000)	(18,011,223)	(3,988,777)
14) other operating costs	(4,787,079)	(14,428,592)	9,641,513
<b>Total costs of production</b>	<b>(325,064,370)</b>	<b>(301,761,045)</b>	<b>(23,303,325)</b>
<b>Difference between value and costs of production</b>	<b>69,832,155</b>	<b>60,833,650</b>	<b>8,998,505</b>



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<b>INCOME STATEMENT</b>			
	<b>2017</b>	<b>2016</b>	<b>Changes</b>
<b>A) Value of production</b>			
<b>C) Financial income and charges</b>			
15) income from investments	0	0	0
16) other financial income			
a) from receivables classed as fixed assets	12,693	277,931	(265,238)
b) from securities classed as fixed assets	365,000	757,949	(392,949)
c) from securities classed as current assets that do not qualify as investments	1,401	519,435	(518,034)
d) income other than the above	4,662,953	5,854,853	(1,191,900)
17) interest and other financial charges	(312,422)	(331,025)	18,603
17-bis) exchange gains and losses	(1,222)	(43,953)	42,731
<b>Total financial income and charges</b>	<b>4,728,403</b>	<b>7,035,190</b>	<b>(2,306,787)</b>
<b>D) Value adjustments to financial assets</b>			
19) write-downs			
a) of investments	0	(19,764)	19,764
<b>Total adjustments</b>	<b>0</b>	<b>(19,764)</b>	<b>19,764</b>
<b>Profit before tax</b>	<b>74,560,558</b>	<b>67,849,076</b>	<b>6,711,482</b>
22) income taxes			
current	(35,403,610)	(37,787,665)	2,384,055
deferred tax liabilities	0	0	0
deferred tax assets	10,607,972	8,897,000	1,710,972
<b>23) Profit for the year</b>	<b>49,764,920</b>	<b>38,958,411</b>	<b>10,806,509</b>

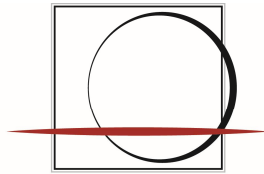


POLIGRAFICO E ZECCA DELLO STATO ITALIANO

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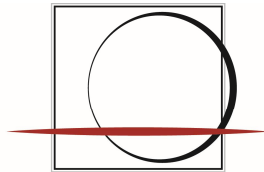
# Cash Flow Statement





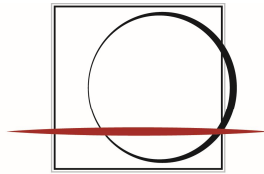
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

	2017	2016
<b>Total net cash and cash equivalents - opening balance</b>	<b>626,867,088</b>	<b>510,712,007</b>
Profit for the year	49,764,920	38,958,411
Income taxes	24,795,638	28,890,665
Interest expense	312,422	331,025
Capital gains/losses	40,393	(140,976)
<b><i>Profit for the year adjusted for non-monetary items</i></b>	<b>74,913,373</b>	<b>68,039,125</b>
Amortisation, depreciation and write-downs	24,026,144	29,631,586
Allocation for post-employment benefits	5,456,390	5,098,369
Editalia provision for post-employment benefits	408,497	
Allocation to provisions	28,702,339	22,262,977
<b>Adjustment for non-monetary items with no balancing entry in NWC</b>	<b>58,593,370</b>	<b>56,992,932</b>
<b><i>Cash flow before changes in NWC</i></b>	<b>133,506,743</b>	<b>125,032,057</b>
<i>Changes in NWC</i>		
inventories	(14,125,780)	1,305,632
trade receivables	67,186,753	7,130,820
trade payables	(20,761,507)	26,966,594
Tax and social security payables/receivables	110,117,230	37,405,636
Indirect taxes paid	(161,351,935)	(9,744,530)
prepayments and accrued income	(2,318,644)	657,057
accrued expense and deferred income	(323,041)	(281,958)
other assets	(2,711,036)	380,879
other liabilities	1,200,298	(2,349,653)
advances	(13,173,686)	(344,322)
Investments that do not qualify as fixed assets	2,717,826	
<b>Total changes in Net Working Capital</b>	<b>(33,543,522)</b>	<b>61,126,155</b>
<b><i>Cash flow after changes in NWC</i></b>	<b>99,963,221</b>	<b>186,158,212</b>
Other adjustments		
Interest paid	(312,422)	(331,025)
Provision for transformation costs:	(6,756,887)	
- for interest paid during the year	(1,615,605)	(2,315,862)
- for interest accrued in 2016 and paid in 2017	(1,871,782)	(2,442,436)
- DEPFA accrued expense	(340,324)	(570,654)
- release of provisions	(2,929,176)	
Income taxes paid	(37,698,270)	(28,623,878)
Utilisation of provision for post-employment benefits	(9,217,981)	(8,163,386)



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Utilisation of provisions	(22,617,520)	(25,792,404)
<b>Total other adjustments</b>	<b>(76,603,080)</b>	<b>(68,239,645)</b>
<i>Cash flows from operating activities</i>	<i>23,360,141</i>	<i>117,918,567</i>
	<b>2017</b>	<b>2016</b>
Investments in fixed assets:		
-Intangible	(2,777,311)	(1,202,245)
-Editalia intangible	(134,803)	
-Tangible	(16,567,738)	(20,889,873)
-Editalia tangible	(36,570)	
-Disposal of fixed assets	109,709	953,174
-Assets held for sale	111,863	114,395
Financial:		
-Investments	(1,089,183)	3,547,623
-Receivables and other securities	479,090	(24,353,926)
<b>Cash flows from investing activities</b>	<b>(19,904,943)</b>	<b>(41,830,852)</b>
Contributions from the Italian Ministry of Finance	32,817,000	32,817,000
Dividends paid	(37,010,490)	(55,005,338)
Extra dividends paid	(100,000,000)	9,000,000
Financial transactions	(24,047,429)	56,967,174
New loans	0	28,909,168
Loan repayments	(29,023,409)	(32,620,638)
<b>Cash flows from financing activities</b>	<b>(157,264,328)</b>	<b>40,067,366</b>
<i>Increase in cash and cash equivalents</i>	<i>(153,809,130)</i>	<i>116,155,081</i>
<b>Total net cash and cash equivalents - closing balance</b>	<b>473,057,958</b>	<b>626,867,088</b>



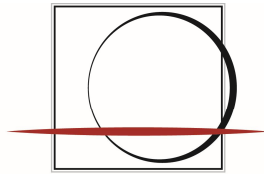
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

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# **Segment Report of the Italian Mint**

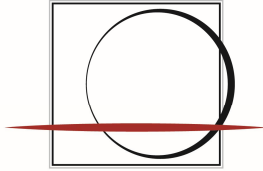
**(Pursuant to Italian Ministerial Decree dated 8 August 1979)**

**Unaudited**



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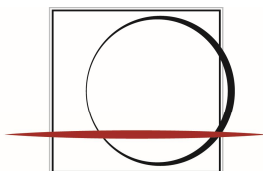
	2017	2016	Changes
<b>A) Value of production</b>			
1) revenues from sales and services	37,493,141	30,960,886	6,532,255
2) change in inventories of work in progress, semi-finished and finished products	(214,708)	(539,424)	324,716
3) change in contract work in progress	0	(1,372,880)	1,372,880
5) other revenues and income			
b) sundry	155,193	339,175	(183,982)
<i>Other revenues and income</i>	<i>155,193</i>	<i>339,175</i>	<i>(183,982)</i>
<b>Total value of production</b>	<b>37,433,626</b>	<b>29,387,757</b>	<b>8,045,869</b>
<b>B) Costs of production</b>			
6) for raw materials, consumables and goods for resale	(19,779,807)	(10,883,419)	(8,896,388)
7) for services	(6,421,020)	(5,847,456)	(573,564)
8) for use of third party assets	(300,000)	(304,937)	4,937
9) for personnel:			
a) salaries and wages	(9,417,812)	(8,922,878)	(494,934)
b) social security charges	(2,759,926)	(2,648,014)	(111,912)
c) post-employment benefits	(733,733)	(695,730)	(38,003)
e) other costs	(122,664)	(362,139)	239,475
<i>Personnel costs</i>	<i>(13,034,135)</i>	<i>(12,628,761)</i>	<i>(405,374)</i>
10) amortisation, depreciation and write-downs			
a) amortisation of intangible assets	(111,351)	(98,443)	(12,908)
b) depreciation of tangible assets	(1,146,709)	(1,087,032)	(59,677)
<i>Amortisation, depreciation and write-downs</i>	<i>(1,258,060)</i>	<i>(1,185,475)</i>	<i>(72,585)</i>
11) change in inventories of raw materials, consumables and goods for resale	(449,091)	1,335,246	(1,784,337)
14) other operating costs	(826,191)	(825,343)	(848)
<b>Total costs of production</b>	<b>(42,068,304)</b>	<b>(30,340,145)</b>	<b>(11,728,159)</b>
<b>Difference between value and costs of production</b>	<b>(4,634,678)</b>	<b>(952,388)</b>	<b>(3,682,290)</b>
<b>C) Financial income and charges</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>D) Value adjustments to financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Profit before tax</b>	<b>(4,634,678)</b>	<b>(952,388)</b>	<b>(3,682,290)</b>
22) income taxes			
current	0	(307,811)	307,811
<b>23) Profit for the year</b>	<b>(4,634,678)</b>	<b>(1,260,199)</b>	<b>(3,374,479)</b>



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# Explanatory Notes



## Structure and contents of the financial statements

The Financial Statements at 31 December 2017 were prepared in compliance with regulations envisaged in art. 2423 et seq. of the Italian Civil Code, as amended by Italian Legislative Decree no. 139 of 18 August 2015 (the “Decree”), interpreted and supplemented by the Italian accounting standards issued by the OIC (the Italian Accounting Body) in force for financial statements for years starting on or after 1 January 2016, and updates issued during 2017 as part of the review launched by the OIC.

The list of standards in force, which were reviewed or newly introduced by the OIC and apply to these financial statements, are listed below:

#	Title	#	Title
OIC 12	Financial statements presentation and format	OIC 21	Investments
OIC 13	Inventories	OIC 24	Intangible assets
OIC 16	Tangible assets	OIC 25	Income taxes
OIC 17	The consolidated financial statements and the equity method	OIC 29	Changes in principles, estimates, error corrections, etc.
OIC 19	Payables	OIC 32	Derivatives

Following their repeal, OIC 3 “Disclosures on financial instruments to be included in the explanatory notes and the report on operations” and OIC 22 “Memorandum accounts” no longer apply.

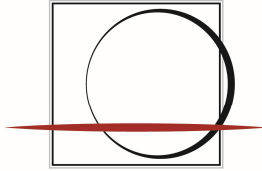
The Financial Statements comprise the following documents:

- Balance Sheet;
- Income Statement;
- Cash Flow Statement;
- Explanatory Notes.

These Explanatory Notes illustrate, analyse and, in certain cases, supplement the Financial Statements data. They contain the information required by art. 2427 of the Italian Civil Code, in line with the regulatory amendments introduced by Italian Legislative Decree 139/15 and the accounting standards issued by the OIC.

The measurement of items is based on the general principles of prudence and accrual and on a going concern basis, as well as taking into account the substance of transactions.

The application of Italian Civil Code provisions did not result in situations incompatible with the truthful and fair representation of events and the corporate position. Therefore it was not



necessary to deviate from any of the provisions, pursuant to art. 2423, paragraph 4 of the Italian Civil Code. Furthermore, no exceptions arose that would have required recourse to the exception envisaged in art. 2423-bis, paragraph 2 of the Italian Civil Code.

### **Accounting Standards**

The company has adopted all the provisions of Italian law in implementation of European Directive 2013/34, with publication in the Official Gazette of Italian Legislative Decree 139/15, which supplements and amends the Civil Code in terms of general rules on financial statements presentation in relation to the formats, measurement criteria, contents of the explanatory notes and the report on operations, and amendments and additions entering into force from 1 January 2016.

All values are expressed in thousands of Euro unless otherwise indicated.

The measurement criteria adopted for preparation of the financial statements at 31 December 2017 are illustrated below.

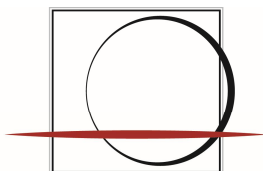
#### ○ *Intangible assets*

These represent costs for which a multi-year use is identifiable and are accounted for on the basis of actual cost incurred, which is systematically amortised each year based on the related useful life. Considering the pace of replacement of the assets, this period is an average of three years. In cases where the value, calculated as above, is permanently lower, a corresponding impairment is recorded. For costs incurred on leased assets, for which a multi-year use is identifiable, amortisation is applied on the basis of the lease contract term.

#### ○ *Tangible assets*

These are recognised at acquisition or production cost, plus directly attributable accessory charges and, for some of them, the amount of the revaluation and/or write-down carried out in previous years in accordance with law. The cost of the assets, calculated as above, is systematically depreciated over their residual useful life. The fixed assets which at year end proved to be permanently impaired, with a value lower than that determined as indicated above, are recognised at that lower value. This lower value is not maintained in subsequent years if the reasons for the write-down should no longer apply.

The estimated useful lives of assets are indicated below by asset type:



Asset type	Useful life in years	
	Buildings	18
Light constructions	10	
Plant and Machinery	5	11
Phototypesetting systems	4	
Rotary presses	5	
Industrial and Commercial Equipment	3	4
Other Assets	4	8
Electronic document workstations	Contract duration	

The value of fixed assets also includes incremental costs if these led to a longer useful life of the related assets, depreciated in relation to their new useful lives. The book value of replaced parts is eliminated and the maintenance and repair costs are recognised in the income statement in the period in which they are incurred.

Land is not depreciated, even if purchased with a building. Nor are tangible assets held for sale, the depreciation of which ceases on the date the asset is reclassified as held for sale within current assets, at the lower between the net book value and the estimated recoverable amount based on market performance, in compliance with OIC 16.

○ *Financial assets*

Investments are recognised at cost, determined on the basis of the purchase or subscription price. The book value of investments is adjusted to take into account any impairment loss based on the corresponding portion of shareholders' equity. This lower value is not maintained in subsequent years if the reasons for such a write-down should no longer apply.

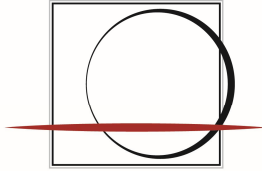
Securities not qualifying as investments are recognised based on purchase cost, adjusted for any impairment loss. This lower value, if recognised, is not maintained in subsequent years if the reasons for recognition should no longer apply.

○ *Inventories*

Inventories are goods for sale, raw materials inventories, sundry materials, paper and spare parts, for use in operations or maintenance activities, and from products in progress.

○ **Raw materials, consumables and goods for resale:** measured at the lower between the purchase cost, calculated using the "weighted average purchase cost" method, and the estimated recoverable amount based on market values.

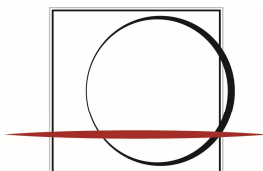




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- **Work in progress, semi-finished and finished products:** measured on the basis of cost incurred. They are calculated at the lower between the market value and the standard operating cost. At year end, the outstanding contracts are analysed to identify any impairment losses. Assets held for sale are reclassified to this item.
  - **Contract work in progress:** measured at the cost of production, including accessory charges, up to the limit of the prices agreed.
- Obsolete or slow-moving goods are written down in relation to their residual useful life or taking into account their estimated recoverable amount.



○ *Receivables*

Receivables are recognised in the financial statements according to the amortised cost criterion, taking into consideration the time factor and the estimated recoverable amount. Specifically, the initial recognition value is represented by the nominal value of the receivable, net of all bonuses, discounts and allowances, and including any costs directly attributable to the transaction giving rise to the receivable. Transaction costs, any commission income and expense and all differences between the initial value and nominal value on maturity are included in the amortised cost calculation using the effective interest method.

A special bad debt provision was allocated against potential insolvency risks, reviewed periodically to assess its fairness with respect to positions for which collection is considered doubtful. In any event, further assessments are conducted at the end of each year that take into consideration uncollectible positions that have already arisen or are considered probable, as well as general economic conditions, sector-specific conditions and country risk.

○ *Accruals and deferrals*

These are calculated on an accruals basis. The item includes revenues and costs for the year that will be achieved or incurred in future years, and those achieved or incurred before year end but relating to future years.

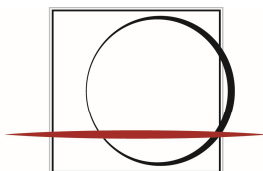
○ *Post-employment benefits*

These are calculated in accordance with current laws and national pay agreements for graphics and paper industry operators (Rome and Foggia plants) and for engineering companies (Verrès plant).

For employees in service at 31 December 2017, they represent the liability for post-employment benefits accrued and retained by the company, plus the amount accrued from the beginning of 2007 up to the time that employees opting for pension funds made their decision, net of advances paid and including the revaluation at 31 December 2017 pursuant to Italian Legislative Decree no. 252 of 5 December 2005, as amended by changes introduced by Italian Law no. 296 of 27 December 2006 (the 2007 Finance Act).

○ *Payables*

Payables are recognised in the financial statements according to the amortised cost criterion, taking into account the time factor and the estimated recoverable amount. Specifically, the initial recognition value is represented by the nominal value of the payable, net of transaction costs and all bonuses, discounts and allowances deriving from the transaction that gave rise to



the payable. Transaction costs, any commission income and expense and all differences between the initial value and nominal value on maturity are included in the amortised cost calculation using the effective interest method.

○ *Provisions for risks and charges*

The provisions for risks and charges are mainly amounts allocated to cover charges or payables, certain or probable, for which at year end however it was not possible to determine the amount or contingency date. The measurement of risks and charges also takes into account those associated with events coming to light after year end and up to the reporting date.

The potential charges resulting from equity investments made are also taken into consideration.

○ *Transactions and items in foreign currency*

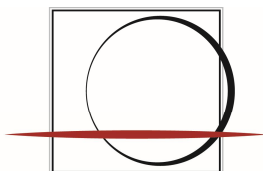
Receivables and payables in foreign currency at year end, recorded at the exchange rate valid at the time of the transaction, are translated to the year-end exchange rate. Exchange gains and losses are recognised in the income statement as financial income components. Any net translation gains are allocated to a specific reserve that remains restricted until realised.

○ *Costs and revenues*

Revenues and income, costs and charges are recognised net of returns, discounts, allowances and bonuses, as well as taxes directly associated with the sale of products and provision of services and recognised on transfer of the risks and benefits of ownership, which normally coincides with the shipping or delivery of the goods or provision of the services. Revenues and income, costs and charges relating to foreign currency transactions are calculated at the spot rate at the date on which the related transaction was carried out.

○ *Taxes for the year*

Income taxes are calculated on the basis of the estimated taxable income, in compliance with regulations in force and in compliance with the accrual principle, taking into account the tax positions of Poligrafico. Deferred tax assets or liabilities were calculated in application of OIC 25.



## Consolidated Financial Statements

Pursuant to art. 27, paragraphs c) and d) of Italian Legislative Decree 127/91, Poligrafico has not prepared consolidated financial statements. The subsidiaries of Poligrafico are in liquidation, and therefore individually or jointly they are immaterial to representing a truthful and fair view of the Group's equity, financial and economic position.

These financial statements were audited by Ernst & Young S.p.A.

## Balance Sheet

### Assets

#### A. Subscribed capital unpaid

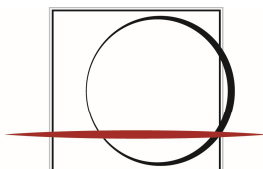
##### A. I Subscribed capital unpaid

This receivable, totaling €65.6 million (€98.5 million at 31.12.2016), represents the residual amount of contributions to share capital to be paid by the Italian Ministry of Economy and Finance on the basis of the provisions of art. 22, Italian Law no. 144 of 17 May 1999, as amended by art. 154, Italian Law 388/2000, also taking into account Law 289/2002 (the 2003 Finance Act) by which, with effect from 1 January 2003, the total residual instalments of the contribution were reduced from €41.3 million to €32.8 million. The decrease of €32.8 million is due to collection of the 2017 instalment.

#### B. Fixed assets

##### B. I Intangible assets

The breakdown of this item and changes during the year are summarised in the table below, which takes into account the effects of the merger of the “administrative” business unit which was demerged from Editalia:



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	01.01.2017	Business unit merger	Changes		31.12.2017	01.01.2017	Business unit merger	Changes		31.12.2017	31.12.2017
<i>(values in €000)</i>	Historical Cost	Historical Cost	Inflows	Outflows	Historical Cost	Accum. amort.	Accum. amort.	Annual amort.	Amort. outflows	Accum. amort.	Net Value
Development costs	40		0	0	40	(40)		0	0	(40)	0
Industrial patent rights and intellectual property rights	44,472	2,431	4,048	(2,429)	48,522	(42,928)	(2,296)	(2,451)	2,320	(45,355)	3,167
Concessions, licences and trademarks	10,829		13	0	10,842	(10,779)		(26)	0	(10,805)	37
Other	1,183		0	0	1,183	(1,149)		(17)	0	(1,166)	17
<b>Total</b>	<b>56,524</b>	<b>2,431</b>	<b>4,061</b>	<b>(2,429)</b>	<b>60,587</b>	<b>(54,896)</b>	<b>(2,296)</b>	<b>(2,494)</b>	<b>2,320</b>	<b>(57,366)</b>	<b>3,221</b>

Intangible Assets	01.01.2016	Changes		31.12.2016	01.01.2016	Changes		31.12.2016	31.12.2016
<i>(values in €000)</i>	Historical cost	Inflows	Outflows	Historical cost	Accum. Ammort.	Annual Ammort.	Amort. outflows	Accum. Ammort.	Net value
Development costs	40	0	0	40	(40)	0	0	(40)	0
Industrial patent rights and intellectual property rights	43,261	1,211	0	44,472	(40,566)	(2,362)	0	(42,928)	1,544
Concessions, licenses and trademarks	10,754	75	0	10,829	(10,719)	(60)	0	(10,779)	50
Other	1,555	0	(372)	1,183	(1,444)	(77)	372	(1,149)	34
<b>Totale</b>	<b>55,610</b>	<b>1,286</b>	<b>(372)</b>	<b>56,524</b>	<b>(52,769)</b>	<b>(2,499)</b>	<b>372</b>	<b>(54,896)</b>	<b>1,628</b>

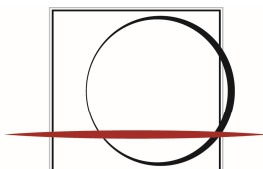
### *Development costs*

The fully amortised historical cost of €40 thousand is attributable to the purchase of a DMI prototype magnetic code reader and a device that allows application of the security thread in banknote production as part of the industrial research activities carried out by Poligrafico.

### *Industrial patent rights and intellectual property rights*

The historical cost of €48.5 million (€44.5 million at 31.12.2016) was amortised for a total of €45.4 million (€42.9 million at 31.12.2016) and refers to:

- *industrial patent rights* for €121 thousand, amortised for a total of €82 thousand, of which €4 thousand for the year;
- *software user rights* for €48.4 million, amortised for €45.3 million. The amortisation for the year was €2.4 million.



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*Concessions, licences, trademarks and similar rights*

The historical cost of €10.8 million (€10.8 million at 31.12.2016) was amortised for a total of €10.8 million (€10.7 million at 31.12.2016) and refers to software user licences.

The amortisation for the year was €26 thousand.

*Other intangible assets*

The total capitalised cost, for €1.2 million and amortised for €1.1 million, referred to works undertaken on leased properties (the Verrès plant and the commercial premises in Piazza Verdi).

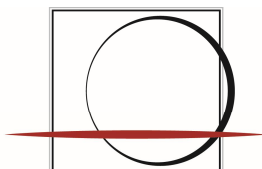
The amortisation for the year of €17 thousand was calculated by taking into account the duration of the lease.

**B. II Tangible assets**

Tangible assets are recognised at purchase or production cost, plus directly attributable charges and, for some, adjusted by the amount of the revaluations and/or write-downs carried out in previous years in accordance with law, including those required in art. 15, Italian Law 333/92 at the time of final determination of Poligrafico share capital. The cost of the assets, calculated as above, is systematically depreciated on the basis of their residual useful life.

The breakdown of tangible assets, taking into account the effects of the merger of the administrative business unit demerged from Editalia S.p.A., is as follows:

tangible assets	01.01.2017		Business unit merger	Changes		31.12.2017	01.01.2017		Business unit merger	Changes		31.12.2017	31.12.2017
	Historical Cost	Reval./Write-down		Historical Cost	Inflows		Outflows	Historical Cost		Accum. depr.	Accum. depr.		
(values in €000)													
Land and Building	192,217	61,707		596	(1,063)	253,457	(178,898)			(5,145)	998	(183,045)	70,412
Plant and Machinery industrial and Commercial Equipment	289,309	510	3	10,837	(6,015)	294,644	(251,355)	(3)		(13,246)	5,969	(258,635)	36,009
Equipment	150		10	21	0	181	(21)	(7)		(47)	0	(75)	106
Other Assets	66,309	59	386	4,802	(9,131)	62,425	(62,861)	(353)		(3,093)	9,131	(57,176)	5,249
Assets under construction	6,255	0		19,345	(20,359)	5,241	0			0	0	0	5,241
<b>Total</b>	<b>554,240</b>	<b>62,276</b>	<b>399</b>	<b>35,601</b>	<b>(36,568)</b>	<b>615,948</b>	<b>(493,135)</b>	<b>(363)</b>		<b>(21,531)</b>	<b>16,098</b>	<b>(498,931)</b>	<b>117,017</b>
<b>Advances</b>	<b>353</b>			<b>15,930</b>	<b>(2,757)</b>	<b>13,526</b>							<b>13,526</b>
<b>Total</b>	<b>554,593</b>	<b>62,276</b>	<b>399</b>	<b>51,531</b>	<b>(39,325)</b>	<b>629,474</b>	<b>(493,135)</b>	<b>(363)</b>		<b>(21,531)</b>	<b>16,098</b>	<b>(498,931)</b>	<b>130,543</b>
													* of which reval/wr-down at 62,276



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tangible assets <i>(values in €000)</i>	01.01.2016		Changes			31.12.2016	01.01.2016		Changes		31.12.2016	31.12.2016
	Historical Cost	Reval./Write-down	Inflows	Outflows	Adjustments	Historical Cost	Accum. depr.	Annual depr.	Depr. utilised reclassifications	Accum. depr.	Net Value	
Land and Building	192,551	63,500	78	(2,205)	0	253,924	(174,925)	(5,358)	1,385	(178,898)	75,026	
Plant and Machinery	329,766	990	14,576	(55,513)	0	289,819	(292,471)	(14,294)	55,410	(251,355)	38,464	
Industrial and Commercial Equipment	0	0	150	0	0	150	0	(21)	0	(21)	129	
Other Assets	66,548	213	1,774	(2,167)	0	66,368	(57,565)	(7,459)	2,163	(62,861)	3,507	
Assets under construction	2,027	0	22,431	(17,864)	(339)	6,255	0	0	0	0	6,255	
<b>Total</b>	<b>590,892</b>	<b>64,703</b>	<b>39,009</b>	<b>(77,749)</b>	<b>(339)</b>	<b>616,516</b>	<b>(524,961)</b>	<b>(27,132)</b>	<b>58,958</b>	<b>(493,135)</b>	<b>123,381</b>	
<b>Advances</b>	<b>8</b>	<b>0</b>	<b>2,275</b>	<b>(1,930)</b>	<b>0</b>	<b>353</b>					<b>353</b>	
<b>Total</b>	<b>590,900</b>	<b>64,703</b>	<b>41,284</b>	<b>(79,679)</b>	<b>(339)</b>	<b>616,869</b>	<b>(524,961)</b>	<b>(27,132)</b>	<b>58,958</b>	<b>(493,135)</b>	<b>123,734</b>	
											<i>* of which reval/write-down at 31.12.2017</i>	<b>64,364</b>

### Land and Building

The historical cost of €253.4 million refers to the production buildings and the land on which they lie. Accumulated depreciation at 31 December 2017 was €183 million, of which €5.1 million depreciation for the year, and refers only to industrial buildings as land is not depreciated.

### Plant and Machinery

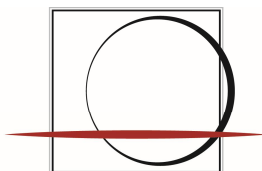
The historical cost was €294.6 million, depreciated for €258.6 million of which €13.2 million depreciation for the year. The increases mainly refer to process and product improvements, such as upgrades to the passport production systems, and to the completion of investments begun in 2016 such as the operational start-up of new digital printing machines for pharmaceutical stamps and the installation completion of Production Backup and LOG environments on the primary site and Business Continuity.

### Industrial and Commercial Equipment

The historical cost at 31 December 2017 was €181 thousand, depreciated for a total of €75 thousand of which €47 thousand depreciation for the year.

### Other Assets

The historical cost was €64.4 million, depreciated for €57.2 million. This item mainly refers to the equipment necessary for business activities at the central structures, such as hardware and furniture.



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*Assets under construction and Advances*

*Assets under construction* reflect the performance of investments started during the year.

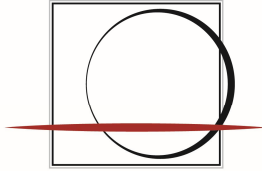
At 31 December 2017, *Advances* amounted to €13.5 million (€353 thousand in 2016). The strong increase confirms the corporate commitment to constructing technologically advanced systems or modernising those already in use. The main advances to suppliers were: - the continuous processing machine in Foggia, €7.9 million (total investment of €13.3 million with delivery planned in 2018); - the new banknote cutting line at the Foggia plant, capable of communicating with the management system, €1.3 million (total investment €3.4 million with delivery planned by the end of 2018); - the rotogravure press for €1.0 million, dedicated to printing security elements suitable for the production of banknotes, passports and other similar documents (total investment of €4.8 million with delivery planned by the end of 2019); - the new registration plate production system at the Verrès plant, €0.7 million (total investment of €7.8 million with delivery planned by the end of 2018).

The changes broken down by production site and referring to asset groups are shown in the following table:

<i>(values in €/000)</i>	Banknote Printing Works and Traditional Productions	Zecca and Verrès operating segments	Foggia plant	Business Solution	Central Departments	Total
Industrial patent rights and intellectual property rights	11	7	0	2,267	480	2,765
Concessions, licences, trademarks and similar rights	0	0	0	0	12	12
<b>Intangible assets</b>	<b>11</b>	<b>7</b>	<b>0</b>	<b>2,267</b>	<b>492</b>	<b>2,777</b>
Land and Building	0	3	57	0	490	550
Plant and Machinery	3,561	1,952	1,198	0	2,239	8,950
Industrial and Commercial Equipment	2	16	3	0	0	21
Other Assets	170	95	93	303	1,145	1,806
<b>Tangible assets</b>	<b>3,733</b>	<b>2,066</b>	<b>1,351</b>	<b>303</b>	<b>3,874</b>	<b>11,327</b>
<b>Assets under construction</b>	<b>3,489</b>	<b>26</b>	<b>763</b>	<b>28</b>	<b>934</b>	<b>5,241</b>
<b>Total</b>	<b>7,233</b>	<b>2,099</b>	<b>2,114</b>	<b>2,598</b>	<b>5,300</b>	<b>19,345</b>

Further details of the main investments undertaken during the year can be found in the Report on Operations.





### B. III Financial assets

Financial assets are recognised at cost, determined on the basis of the purchase or subscription price and adjusted for any confirmed impairment losses.

In order to provide a more consistent presentation of the actual position, a number of fixed asset items were reclassified.

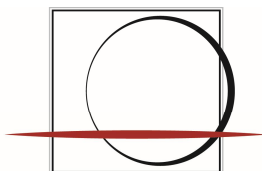
The balance of this item, taking into account their purchase cost and any changes, is as follows:

<i>(values in €/000)</i>	31.12.2016				31.12.2017		
	Cost	Revaluations Increases	Write-downs Decreases	Book value	Revaluations Increases	Write-downs Decreases	Book value
Investments	27,006		(3,548)	23,458	1,159	(69)	24,548
Receivables	3,845		(601)	3,244		(479)	2,765
Other securities		24,955		24,955			24,955
<b>Total</b>	<b>30,851</b>	<b>24,955</b>	<b>(4,149)</b>	<b>51,657</b>	<b>1,159</b>	<b>(548)</b>	<b>52,268</b>

#### *Investments*

<i>(values in €/000)</i>	31.12.2016				31.12.2017		
	Cost	Revaluations Increases	Write-downs Decreases	Book value	Revaluations Increases	Write-downs Decreases	Book value
In subsidiaries	24,165	0	(3,548)	20,617	0	(69)	20,548
In associates	2,840	0	0	2,840	1,159		3,999
In other companies	1	0	0	1	0	0	1
<b>Total</b>	<b>27,006</b>	<b>0</b>	<b>(3,548)</b>	<b>23,458</b>	<b>1,159</b>	<b>(69)</b>	<b>24,548</b>

#### *Investments in subsidiaries*



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		31.12.2017					
(values in €/000)	Registered office		Share capital	Result	Shareholders' equity	Interest %	Book value
Verrès S.p.A. (in liquidation)	Aosta	Viale dei Partigiani, 18	1,836	(37)	349	55.00	0
Innovazione e Progetti S.c.p.A (in liquidation)	Rome	Via Marciana Marina, 28	30,000	(100)	29,354	70.00	20,548
<b>Total</b>							<b>20,548</b>

The following transactions were recorded during the year:

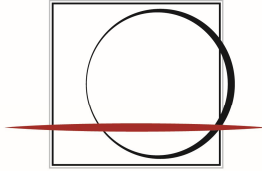
- *Verrès S.p.A. (in liquidation)*: the company was placed in liquidation in 2011. Poligrafico holds 55% of the share capital, represented by 46,411 shares with a nominal value of € 21.76 each. During the year and in compliance with the shareholders' meeting resolution, the liquidator continued the liquidation activities.
- *Innovazione e Progetti S.c.p.A. (in liquidation)*: Poligrafico holds 70% of the share capital, represented by 21,000,000 shares with a nominal value of €1.00 each, 25% of which fully subscribed and paid up for €5,250 thousand. Given the magistrates court decision which at the hearing of 28 February 2018 adjourned the decision in proceedings brought by the shareholder Selex Service Management S.p.A., the liquidator decided that at present the final liquidation transactions will not be carried out pending the final decision of the magistrates court on the request for suspension and cancellation of the liquidation with subsequent claim for compensation for damages.

*Investments in associates*

- *Istituto della Enciclopedia Italiana S.p.A.*, in which Poligrafico holds 5,807,479 shares with a nominal value of € 1.00 each, representing 9.25% of the share capital. During the year, Poligrafico subscribed to the share capital increase decided by the Extraordinary Shareholders' Meeting of 18 January 2017. The book value is €4 million and corresponds with the historical cost.

*Investments in other companies*

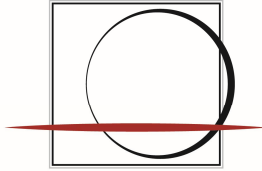
- *Meccano S.p.A.*, in which Poligrafico holds 3 shares with a nominal value of €266.22 each, representing 0.10% of the share capital. The book value of this investment corresponds with the historical cost of €0.7 thousand.



*Other receivables* due within 1 year total € 280 thousand (€ 889 thousand at 31.12.2016), whilst those due beyond 1 year amount to €2.5 million (€2.3 million at 31.12.2016), giving a total of €2.8 million.

The total amount refers to:

- *premiums paid on the collective capitalisation policy*, to guarantee payment of the post-employment benefits, taken out with an insurance company for €1.8 million. The policy provides insurance cover for the post-employment benefits of personnel in the office staff categories, already included at 31 December 1985 in the policy taken out pursuant to Royal Law Decree no. 5 of 8 January 1942, converted to Law no. 1251 of 2 October 1942. With reference to this account, further amounts were recognised in the financial statements. In particular, within liabilities:
  - *post-employment benefits*, the total for which includes the company's payable to all employees in the office staff categories accrued at 31 December 1985, to which the aforementioned cover refers;
  - *accruals* which indicate substitute taxes on returns accrued at the end of 2017, equal to €0.6 million;whilst under assets:
  - *current assets - other receivables*, which include part of the premiums paid on the collective capitalisation policy to be made available during the next year for a total of €2.3 million;
  - *accruals* which include the return on the policy accrued over the years and which at the end of 2017 totals €3.8 million.
- *Receivables from employees* totalling €440 thousand (€536 thousand at 31.12.2016) arose as a result of the measures adopted after the seismic events of 31 October 2002 in favour of residents in the Molise region and the province of Foggia (Italian Law Decree no. 245 of 4 November 2002, converted to Law no. 286 of 27 December 2002, as amended). These measures suspended the payment of social security and welfare contributions for the period November 2002-November 2005, envisaging reimbursement in instalments, starting from February 2006, of the portion payable by the company and that payable by employees. The amount indicated therefore represents the company's receivable to be reimbursed by employees for the portion under their liability and its decrease, compared to the previous year (€ 97 thousand), represents the instalments collected in 2017. The suspended payment of social security contributions, by the company and by employees, also led to the recognition under liabilities item "social security payables" of the



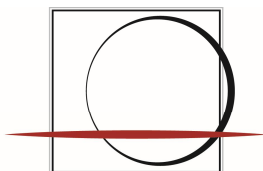
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corresponding amount due to INPS;

- *receivables from employees* pending finalisation of pending proceedings for a total of € 120 thousand;
- *guarantee deposits* on leases for €192 thousand.

*Other securities*, totalling €25 million, include the BTP treasury bonds held in the corporate portfolio.



## C. Current assets

### C.I Inventories

The value of inventories at 31 December 2017 was € 57.9 million (€ 43.8 million at 31.12.2016), the main changes in which were as follows:

#### *Increases*

- Raw materials and paper purchased €3.2 million;
- Paper produced €5.1 million;
- Semi-finished products €5 million;
- Finished products under contract €1.9 million.

#### *Decreases*

- Finished products €1.1 million;

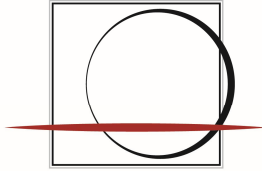
The value of editorial publications is adjusted annually on the basis of provisions of Ministerial Resolution 9/995 of 11 August 1977. At 31 December 2017 the provision amounted to €26.1 million. In addition, there is another provision which at the end of 2017 totaled €3.4 million, to prudentially take into account the limited possibility of creating such products.

The value of inventories of obsolete and slow-moving materials and products was reduced to take into account their usage or sale potential.

The closing balances of inventories can be broken down as follows:

<i>(values in €m)</i>	31.12.2017			31.12.2016			Change
	historical value	bad debt prov.	Inventories	historical value	bad debt prov.	Inventories	
Raw materials, consumables and goods for resale	34.5	(12.2)	22.3	34.3	(15.2)	19.1	3.2
Work in progress, semi-finished and finished products	30.4	(8.2)	22.2	15.5	(3.4)	12.1	10.1
Contract work in progress	0.0	0.0	0.0	10.7	(2.4)	8.3	(8.3)
Finished products and goods for resale	48.7	(35.3)	13.4	10.5	(6.2)	4.3	9.1
<b>Total inventories</b>	<b>113.6</b>	<b>(55.7)</b>	<b>57.9</b>	<b>71.0</b>	<b>(27.2)</b>	<b>43.8</b>	<b>14.1</b>
Effect of Editalia merger	23.5	(22.4)	1.1				

- *raw materials and consumables* totaled €22.3 million (€19.1 million at 31.12.2016). The change during the year is largely attributable to higher stocks of production materials (€ 1.4 million) and of precious metals necessary to create Zecca products (€1.6 million);
- *work in progress and semi-finished goods* amounted to €22.2 million (€12.1 million at



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31.12.2016). The main increases refer to semi-finished e-documents (ID cards and electronic passports) (€ 2.4 million) and paper produced (€ 5.1 million) largely for elections;

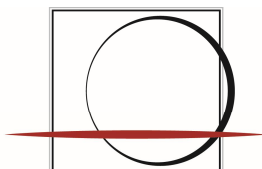
- *contract work in progress* was zero at the end of the year as all contracts had been completed (€8.3 million at 31.12.2016).
- *finished products and goods for resale* amounted to € 13.4 million (€ 4.3 million at 31.12.2016). The change is due to the registration plates contract, minting of legal tender, commemorative coins and medals. This item also includes goods for resale as part of the Electronic ID Cards project, as well as goods no longer used in the production cycle and held for sale, measured at the lower between the net carrying value and the estimated realisable value based on market trend.

## C. II Receivables

*Receivables* totaled €695.9 million (€746.8 million at 31.12.2016).

For a better presentation, certain 2016 items relating to receivables from the parent, the Ministry of Economy and Finance, were reclassified. The breakdown of receivables by similar groups is as follows:

<b>Receivables</b>	<i>(values in €/000)</i>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Changes</b>
Trade		44,576	30,099	14,477
Subsidiaries		9	3,006	(2,997)
Associates		6,224	0	6,224
Parent companies		606,284	693,806	(87,522)
Companies under parent company control		5,194	2,563	2,631
	<b>Subtotal</b>	<b>662,287</b>	<b>729,474</b>	<b>(67,187)</b>
Tax		7,244	4,249	2,995
Tax assets		21,495	10,887	10,608
Others		4,940	2,228	2,712
	<b>Subtotal</b>	<b>33,679</b>	<b>17,364</b>	<b>16,315</b>
	<b>Total</b>	<b>695,966</b>	<b>746,838</b>	<b>(50,872)</b>

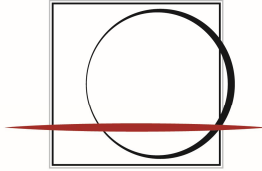


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	Receivables by due date (values in €/000)	31.12.2017			31.12.2016			Change
		Within 1 year	Beyond 1 year	Total	Within 1 year	Beyond 1 year	Total	
A	<b>Receivables classified as fixed assets</b>							
	Others	280	2,484	2,764	889	2,355	3,244	(480)
	<b>Subtotal</b>	<b>280</b>	<b>2,484</b>	<b>2,764</b>	<b>889</b>	<b>2,355</b>	<b>3,244</b>	<b>(480)</b>
B	<b>Receivables classified as current assets</b>							
	Trade	44,576	0	44,576	30,099	0	30,099	14,477
	Subsidiaries	9	0	9	3,006	0	3,006	(2,997)
	Associates	6,224	0	6,224	0	0	0	6,224
	Parent company	606,284	0	606,284	693,806	0	693,806	(87,522)
	Companies under parent company control	5,194	0	5,194	2,563	0	2,563	2,631
	Tax	7,244	0	7,244	4,249	0	4,249	2,995
	Tax assets	21,495	0	21,495	10,887	0	10,887	10,608
	Others	4,940	0	4,940	2,228	0	2,228	2,712
		<b>Subtotal</b>	<b>695,966</b>	<b>0</b>	<b>695,966</b>	<b>746,838</b>	<b>0</b>	<b>746,838</b>
A+B	<b>Total</b>	<b>696,246</b>	<b>2,484</b>	<b>698,730</b>	<b>747,727</b>	<b>2,355</b>	<b>750,082</b>	<b>(51,352)</b>

Trade receivables totaled €44.6 million (€30.1 million at 31.12.2016) and refer to trade relations with customers for the sale of goods and provision of services. In particular:

- amounts due from public customers amounted to €16.6 million compared to €8.1 million in the previous year. The increase is almost entirely due to the receivable accrued from the Ministry of the Interior (€10.4 million) as part of the Electronic ID Cards project for the supply of peripheral infrastructures; the receivable due from the Customs and State Monopolies Agency (€1.6 million) for the supply of tobacco tags and receivables due from Regional Authorities and Local Health Authorities for around €1.9 million for the supply of prescription pads. The remaining receivables relate to supplies to the Ministries and other Public Administrations of forms, publications and inserts;
- amounts due from private customers amounted to €28 million compared to €22 million in the previous year. The increase in receivables is associated with the higher turnover (over €20 million). The total mainly includes receivables from pharmaceutical companies (€11.2 million) for stamps, from the Vatican State and San Marino (€2.4 million) for the minting of coins and medallions for 2017, from consortia for the designated origin and designated geographic origin protection of wines (€1.8 million) for wine markings, from book publishers (around €0.9 million) as part of the contractual relationship for the collection of inserts in the Official Gazette, and from the Italian Lottery (€0.9 million) for the supply of Lottery ticket receipts.



*Receivables from subsidiaries* amounted to €9 thousand (€3 million at 31.12.2016). These are receivables for the supply of goods and services not yet collected at year end from the subsidiaries Verrès S.p.A. and Innovazione e Progetti S.c.p.A. The receivable due from Editalia S.p.A. recorded at 31 December 2016 was reclassified to receivables from associates following the disposal to Istituto della Enciclopedia Italiana of the share package, as a result of the transaction being finalised on 18 January 2017.

*Receivables from associates* amounted to € 6.2 million and include receivables due from Editalia S.p.A. for the supply of publications and medallions.

*Receivables from parent companies* represent receivables accrued from the supply of goods and services to the parent company, the Ministry of Economy and Finance. These receivables totaled €606.3 million net of write-downs (€693.8 million at 31.12.2016).

For a better presentation, from the liability in 2016, the funding provided by the Ministry of Economy and Finance of € 37 million was reclassified to allow payment of the injunction orders promoted by Unicredit Factoring and to cover expense for transport provided by Omnia Logistic on behalf of the Ministry of Economy and Finance. Taking into consideration that the procedure relating to the transaction with the Ministry of Economy and Finance, to define 2002-2006 transport costs, was slowed due to legal and administrative issues, the residual receivable was written down as a prudential measure at the end of the year.

The 2005 and 2006 statements on the supply of securities were approved during the year. These approvals allowed the payment of VAT for more than €44 million.

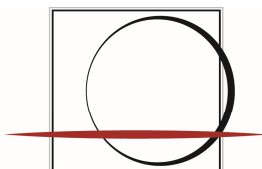
Together with the departments of the Ministry, action continued for the reconciliation of past receivables. This action led to the payment of VAT for additional €40 million.

With regards to the supplies of post office securities, the positions up to 2014 were cleared , whilst for traditional securities and electronic documents all past items have been reconciled and the reconciliation for the current year is still in progress.

For supplies of plain paper, on the other hand, the positions from 2002 to 2006 were reconciled and accepted by the Ministry of Economy and Finance, net of the aforementioned transport costs. With regard to subsequent years, in view of the IT procedure implemented at the time for the transfer of information between the Ministry of Economy and Finance and Poligrafico, the Ministry considers that the data recorded in its own archives is essentially in line with that of the company.

The breakdown of receivables from the parent company is as follows:





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<i>in €m</i>	31/12/2017				
	delivered	advances	of which VAT	advances > delivered	balance
Reg. plates and other trad. securities	1,313.51	1,084.33	207.66	21.06	250.24
2005 Statement of Securities	(118.04)	(118.04)	(19.59)		0.00
2006 Statement of Securities	(145.23)	(145.23)	(24.55)		0.00
<b>Total traditional securities</b>	<b>1,050.24</b>	<b>821.06</b>	<b>163.52</b>	<b>21.06</b>	<b>250.24</b>
Security documents	1,113.86	873.55	148.93	0.00	240.31
Electoral graphics and common prints	901.83	718.27	134.07	49.37	232.93
Postage stamps	109.58	111.13	0.26	2.28	0.73
Coinage and other minting	28.88	26.31	0.00	0.00	2.57
<b>Total</b>	<b>3,204.39</b>	<b>2,550.32</b>	<b>446.78</b>	<b>72.71</b>	<b>726.78</b>
Write-down of receivables					(120.50)
<b>Total</b>					<b>606.28</b>

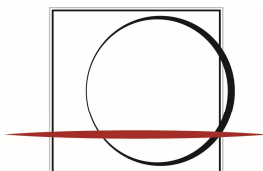
The table below reports the breakdown and the changes in the bad debt provision.

<b>Bad debt provision</b>			
<i>in €m</i>	<b>MEF</b>	<b>Other</b>	<b>Total</b>
<b>Provision at 1 January 2017</b>	<b>71.17</b>	<b>1.88</b>	<b>73.05</b>
Utilisation during the year	(2.15)	(0.20)	(2.35)
Allocations:			
non-deductible	51.48	0.66	52.14
<b>Total at 31 December 2017</b>	<b>120.50</b>	<b>2.34</b>	<b>122.84</b>

*Receivables from companies under common control* amounted to €5.2 million (€2.5 million at 31.12.2016). These are receivables due from RAI for € 4.2 million as part of the service agreement for the supply and delivery of gold tokens used in game shows, and from other related parties resulting from the Official Gazette inserts service for the publication of tenders.

All the company's past due receivables are managed through the credit collection procedure, whilst defaulted positions are assigned to the Legal Department. The bad debt provision prudentially takes into account defaulted positions and the risk associated with recognition of costs for transport carried out on behalf of the Ministry of Economy and Finance.

*Tax receivables* totaled € 7.2 million (€ 4.2 million at 31.12.2016). This item refers to receivables arising from the difference between the tax burden for the year and payments on



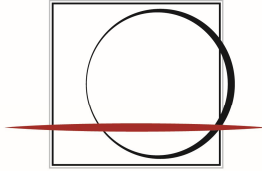
## POLIGRAFICO E ZECCA DELLO STATO ITALIANO

account made (around €0.5 million for IRAP and €2.9 million for IRES). This item also again includes receivables for withholdings for which reimbursement has been requested for €3.8 million.

*Deferred tax assets* totaled €21.5 million (€10.9 million at 31.12.2016). Deferred tax assets are recognised to take into consideration future tax charges attributable to the temporary difference between carrying amounts recognised in the financial statements and the corresponding values for tax purposes. In 2017, the Company wrote down the residual amount of transport costs for the period 2002-2006 following the failure to finalise a settlement agreement between Poligrafico and the MEF. For IRES purposes, therefore, deferred tax assets were recognised for a total of around €12.5 million as there is reasonable certainty in future years that these differences can be reabsorbed. Lastly, Poligrafico reversed deferred tax assets for IRAP purposes for €1.9 million. Further details can be found in the statement on temporary differences.

<b>Deferred tax assets</b>	
<i>in €k</i>	
<b>Balance at 31/12/2016</b>	<b>10,887</b>
Utilisation	(1,906)
Allocations	12,514
<b>Balance at 31/12/2017</b>	<b>21,495</b>

*Other receivables* totaled €4.9 million (€2.2 million at 31.12.2016). Other receivables include receivables accrued from the insurance company Generali for premiums paid on the collective capitalisation policy and collected during the first few months of 2018, receivables due from banks, advances to suppliers, advances on post-employment benefits paid to employees but the responsibility of the INPS treasury fund and, lastly, advances paid to employees but the responsibility of INAIL.



### **C. III Short-term investments**

*Investments in subsidiaries:* as a result of the finalisation of the disposal of the subsidiary Editalia S.p.A. (on 18 January 2017), the investment was eliminated from the company's assets.

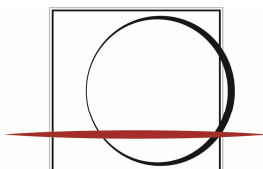
### **C. IV Cash and cash equivalents**

*Cash and cash equivalents* amounted to € 473 million (€ 626.8 million at 31.12.2016), a difference of € 153.8 million. Other than normal trends for collections and commitments undertaken, the change is the result of payment to the shareholder of € 100 million as extraordinary dividend, plus recognition of the ordinary dividend of €37 million. Furthermore, during the year Poligrafico paid VAT balances falling due for approximately €90 million.

### **D. Prepayments and accrued income**

In accordance with the accrual principle, this item includes:

- *accrued income*, which amounted to €3.8 million (€4.7 million at 31.12.2016), relating to income accrued for 2017 on the insurance policy (€3.8 million);
- *prepayments*, which amounted to € 3.7 million (€ 0.4 million at 31.12.2016), mainly attributable to the purchase of VMware licences. This item also includes costs for insurance policies, software support contracts, several lease payments and publication subscriptions entered into in 2017 but relating to future years.



## Balance Sheet

### Liabilities

#### A. Shareholders' equity

The financial statements at 31 December 2017 reported a profit of € 49.8 million. As envisaged in art. 2427, paragraph 7-bis of the Italian Civil Code, a summary statement is provided below of all shareholders' equity items with an indication of their source, utilisation and distribution options and their utilisation in previous years.

Further details on the nominal value of the shares can be found in the chapter "Other Information".

Shareholders' equity (value in €/000)	Amounts at 31 December 2017	Possibility of use	Available	Summary of utilisations in the last three years
Share capital	340,000			
Capital reserves:				
Grants	551	B		
Other reserves				
Profit reserves:				
- Legal reserve	38,748	B	38,748 <sup>1)</sup>	
- Distributable reserve	133,663	A, B, C	133,663 <sup>2)</sup>	64,903
- Retained earnings	0	A, B, C	0 <sup>2)</sup>	26,097
Profit for the year	49,765			
<b>Total Shareholders' equity</b>	<b>562,727</b>			

#### Key:

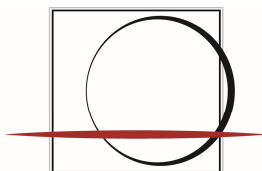
**A** share capital increase

**B** loss coverage

**C** distribution to shareholders

(1) Restricted portion

(2) Distributable portion



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The following table reports the changes in shareholders' equity items:

Shareholders' equity (values in €/000)	Share capital	Legal reserve	Distributable reserve	Retained earnings	Grants, Law 64/86	Profit for the year	Total
<b>01-Jan-16</b>	<b>340,000</b>	<b>33,905</b>	<b>198,566</b>	<b>26,097</b>	<b>551</b>	<b>57,900</b>	<b>657,019</b>
Allocation of profit for the year							
- Other allocations	0	2,895	9,000	0	0	(11,895)	<b>0</b>
- Dividend distribution	0	0	0	0	0	(46,005)	<b>(46,005)</b>
- Distribution, art. 20, Law Decree 66/2014	0	0	(73,903)	(26,097)	0	0	<b>(100,000)</b>
- Profit for the year	0	0	0	0	0	38,958	<b>38,958</b>
<b>31-Dec-16</b>	<b>340,000</b>	<b>36,800</b>	<b>133,663</b>	<b>0</b>	<b>551</b>	<b>38,958</b>	<b>549,972</b>
Allocation of profit for the year							
- Other allocations	0	1,948	0	0	0	(1,948)	<b>0</b>
- Dividend distribution	0	0	0	0	0	(37,010)	<b>(37,010)</b>
- Distribution of reserves	0	0	0	0	0	0	<b>0</b>
- Profit for the year	0	0	0	0	0	49,765	<b>49,765</b>
<b>31-Dec-17</b>	<b>340,000</b>	<b>38,748</b>	<b>133,663</b>	<b>0</b>	<b>551</b>	<b>49,765</b>	<b>562,727</b>

While approving the financial statements at 31 December 2016 at the meeting of 25 July 2017 the Shareholders resolved to allocate the €39 million profit for the year as follows:

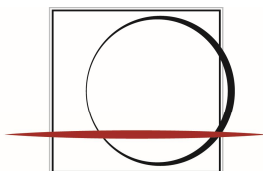
- €1.9 million to the legal reserve;
- the remaining €37 million for distribution as dividend.

Arrangements were also made during the year to pay part of available reserves, €100 million, to the shareholder Ministry of Economy and Finance, as resolved by the Shareholders' Meeting of 1 December 2016.

## B. Provisions for risks and charges

The changes in the amount, formation and utilisation of *provisions for risks and charges* are illustrated below:

- *pensions and similar obligations* refer to contributions allocated for pensions pursuant to art. 25 of the National Pay Agreement of 5 August 1937, as amended. At 31 December 2017 the provision amounted to €8 thousand (€8 thousand at 31.12.2016);
- *transformation costs* refer to the structured loan facility transaction carried out in 2003. In that same year, costs relating to discounting of the Law 144/99 grant were allocated (€ 162.7 million). This provision was used proportionately to repay the loan, against the amount of interest accrued for the period. Taking into account the nature of the item, the residual amount of the provision was released at year end.



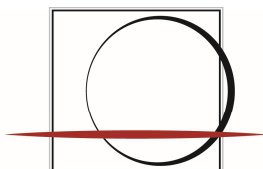
- *other risks and charges* are allocated against risks and charges considered certain or probable, for which at year end however it was not possible to determine the amount or contingency date. The amounts allocated reflect the best prudential estimates based on information available at the reporting date. The total amount of these provisions was €158 million (€152 million at 31.12.2016) after accounting for utilisation of €15.6 million to cover charges incurred and allocated previously, releases for €7.1 million and new allocations for €28.7 million.

Other provisions for risks and charges include:

- The *provision for dispute risks*, amounting to €24.7 million at 31 December 2017, is to prudentially cover potential liabilities that could arise from legal disputes pending and possible settlement agreements, for which utilisations were recorded during the year for €13.1 million and new allocations made for €9 million. At the end of the year, the risk assessment allowed provisions to be released for €2.7 million.
- The *provision for equity investment risks*, amounting to €2.6 million at 31 December 2017, is to cover liabilities that could arise from commitments undertaken as part of the liquidation of certain subsidiaries. During the year, the provision of €4.4 million allocated for risks associated with disposal of the subsidiary Editalia S.p.A. was released when no longer required following the conclusion of commitments undertaken as part of the sale agreement relating to this equity investment.
- The *provision for industrial risks*, amounting to €130.6 million at 31 December 2017, was determined through a prudential calculation of potential liabilities that could arise from the settlement of trade and industrial positions as well as the potential inexistence of assets. Against these positions, during the year utilisation was recorded for €2.2 million and allocations for €19.7 million. In particular, this provision refers to: returns on contracts relating to the supply of security documents, registration plates and pharmaceutical stamps; charges relating to contracts in progress for which costs to be incurred in future years are estimated; restructuring costs to cover the estimated costs to be incurred for planned streamlining of the production sites and for the modernisation and safety-related works on the various premises.

### **C. Post-employment benefits**

*Post-employment benefits* amounted to €21.1 million (€24.5 million at 31.12.2016). The change of €3.4 million is the sum of allocations, revaluations, indemnities paid to personnel and advances paid. During the year a total of 117 employees left the company and 196 were



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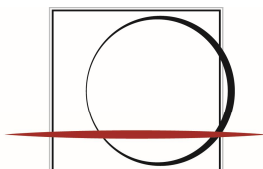
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The details of changes during the year are as follows:

<b>Post-employment benefits</b> (values in €/000)	
<b>Balance at 31 December 2016</b>	<b>24,489</b>
<b>Changes during the year</b>	
Editalia merger	408
Restoration of provisions from previous years	39
Allocation in the income statement	5,456
Benefits paid to employees on retirement or resignation	(3,757)
Advances, Legislative Decree 297/1982	(498)
Transfers to pension funds	(1,415)
Transfers to INPS Treasury Fund	(3,127)
0.5% solidarity contribution	(345)
Substitute tax on revaluations	(80)
Additional remuneration	(34)
<b>Balance at 31 December 2017</b>	<b>21,136</b>

The post-employment benefits accrued during the year (€5.5 million, of which €443 thousand from revaluation of the pre-existing provision) in favour of personnel in service at 31 December 2017, are made up as follows:

- o pension funds €1.4 million;
- o indemnities to resigning or retiring personnel €3.8 million;
- o INPS treasury fund €3.1 million;
- o revaluation of the pre-existing provision €0.5 million;
- o substitute tax on revaluations for the year €80 thousand.



## D. Payables

*Payables* totaled €741.9 million (€965.1 million at 31.12.2016). To improve presentation, for 2016 a number of items relating to payable from the parent, the Ministry of Economy and Finance, were reclassified.

Their breakdown by similar groups and due dates is as follows:

Payables by due date (values in €/000)	31.12.2017			31.12.2016			Change
	Within 1 year	Beyond 1 year	Total	Within 1 year	Beyond 1 year	Total	
Banks	114	178	292	24,162	292	24,454	(24,162)
Other lenders	30,220	36,692	66,912	28,909	66,912	95,821	(28,909)
Advances	496		496	281	0	281	215
Suppliers	60,769		60,769	48,654	0	48,654	12,115
Subsidiaries	8	15,750	15,758	14	15,762	15,776	(18)
Associates	6	12	18				18
Parent company	113,251		113,251	145,997	0	145,997	(32,746)
Companies under parent company control	484		484	829	0	829	(345)
Tax	463,608		463,608	514,130	0	514,130	(50,522)
Social security payables	4,597	1,957	6,554	4,279	2,287	6,566	(12)
Others	13,786		13,786	112,586	0	112,586	(98,800)
<b>Total</b>	<b>687,339</b>	<b>54,589</b>	<b>741,928</b>	<b>879,841</b>	<b>85,253</b>	<b>965,094</b>	<b>(223,166)</b>

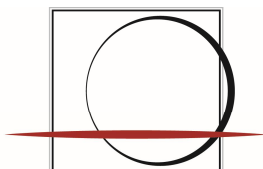
*Payables to banks* totaled €0.3 million (€24.4 million at 31.12.2016) and refer to the loan agreed for the construction of a photovoltaic plant. The transaction relating to repurchase agreements (€24 million) was finalised during the year.

*Payables to other lenders* totaled €66.9 million (€95.8 million at 31.12.2016). The decrease is attributable to the payment of instalments due. These positions refer to:

- the loan granted by *Deutsche Pfandbriefbank Ag*, associated with the structured loan facility arranged in 2003;
- the loans granted by Cassa Depositi e Prestiti between 1978 and 1980 and maturing on 31 December 2035 as a result of renegotiation occurred in the meantime.

*Advances* totaled €0.5 million (€0.3 million at 31.12.2016). This item comprises advances





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received from customers for 2018 subscriptions to the Official Gazette and for issues of coin collection products.

*Payables to suppliers* amounted to €60.8 million (€48.6 million at 31.12.2016) and refer to the supply of goods and services. The increase can be associated with investments commenced during the year and with the purchase of the infrastructure for the Electronic ID Cards project, payables not yet settled at year end.

*Payables to subsidiaries* totaled €15.7 million (€15.7 million at 31.12.2016) and refer to the capital subscribed by Poligrafico but not paid to the subsidiary Innovazione e Progetti S.c.p.A. (in liquidation).

*Payables to associates* amounted to €17 thousand and refer to Editalia S.p.A.

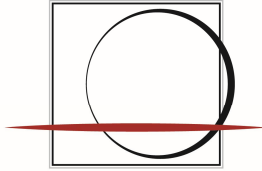
Payables to the parent company totaled €113.3 million (€146 million at 31.12.2016). For improved presentation, from among the liability items for 2016, the funding provided by the Ministry of Economy and Finance of €37 million was reclassified to allow payment of the injunction orders promoted by Unicredit Factoring and to cover expense for transport provided by Omnia Logistic on behalf of the Ministry of Economy and Finance. In addition, the item includes advances received for supplies “by item” in excess of deliveries completed for €72.7 million and the payable due to the parent company for the withdrawal from circulation of coins for €3.5 million.

*Payables to companies under parent company control* amounted to €0.4 million (€0.3 million at 31.12.2016) and refer mainly to the amount due to the Poste Italiane Group for services provided.

*Tax payables* amounted to €463.6 million (€514.1 million at 31.12.2016), decreasing by €50.5 million due to the algebraic difference between VAT for the period and the amount payable following approval of the 2005 and 2006 Statements (around €44 million) and to settlements (around €40 million). In addition to the payable for suspended VAT (over €460 million), this item includes the payable for employee withholdings (€2.8 million) paid to the tax authorities in January 2018.

*Social security payables* totaled €6.6 million (€6.5 million at 31.12.2016), of which €4.6 million due within one year and €2.0 million beyond one year. These refer to:

- o for the part due within one year: contributions accrued on remuneration for December paid



to social security institutions in 2018, post-employment benefits accrued in December and paid in 2018 to the pension funds and INPS Treasury Fund, and the portion payable in 2018 of social security contributions payable by the company and employees, the payment of which - as part of the aforementioned measures adopted as a result of seismic events in 2002 - had been suspended;

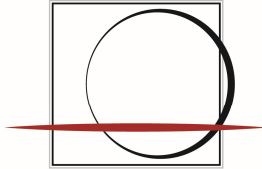
- o for the total due beyond one year: the remainder of social security contributions payable by the company and employees, the payment of which - as mentioned previously - had been suspended.

*Other payables* amounted to €13.8 million (€112.6 million at 31.12.2016). The change is attributable to payment of an extraordinary dividend to the shareholder for €100 million. This item also includes payables to personnel for confirmed accruals for the year.

#### **E. Accrued expense and deferred income**

The following are recognised under this item according to the accrual principle:

- o *accrued expense*, €1.9 million (€2.8 million at 31.12.2016) referring to interest for the year on the Depfa loan of €1.3 million (€1.9 million at 31.12.2016), €45 thousand in maintenance payments and €0.6 million as substitute tax on income accruing on the collective policy at 31 December 2017;
- o *deferred income*, relating to subscriptions and developmental maintenance instalments invoiced in advance (€274 thousand).



## INCOME STATEMENT

### A. Value of production

The *value of production* amounted to €395 million (€362.6 million at 31.12.2016).

#### A.1 Revenues from sales and services

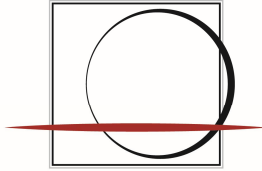
*Revenues from sales and services* totaled € 372.6 million (€ 345.6 million at 31.12.2016), recording an increase of around €27 million.

The business environment in which Poligrafico operates, also for the current year, registered a persisting decline in resources available for Public Administration and the related containment policies mirrored in the traditional product lines, to the benefit of technologically more advance products.

The operating performance for the year was affected by the increase in turnover for electronic documents, pharmaceutical stamps, Lottery ticket receipts, wine markings, car and motorcycle registration plates and medallion minting. The increase was partly offset by the decline in revenues from tobacco tags, prescription pads, licences, revenue stamps and postage stamps, inserts, coin collections, common prints, electoral material and minting.

The turnover by product type can be broken down as follows:

- *ID documents*: €107.5 million (€92.1 million at 31.12.2016). 2017 saw continuation of the rollout plan for the new *electronic ID cards* (EIC 3.0), which led to the issue of the millionth card in October. At year end around 1.4 million documents had been issued, covering 72% of the population. The contribution in terms of turnover was €16.8 million. *Electronic passports*, with turnover of €59.3 million, recorded a positive performance with growth of over 9%.  
With reference to the new *residence permit* model (PSE 380), issue of the document continued in compliance with Regulation (EC) 380/2008 at all magistrates courts in Italy. In 2017, the number of residence permits provided (1.2 million) generated a total turnover of € 28.3 million, in line with the 2016 figure.  
It is important to note the growing interest of public administrations in the e-format version of the personal ID cards (ATe Card) that generated a 192% higher turnover (€0.8 million).
- *Security stamps*: € 118.9 million (€ 115.4 million at 31.12.2016). *Pharmaceutical stamp* production recorded an increase. The quantities delivered remained at particularly high levels, with turnover reaching € 60.2 million, up 10.4% on 2016. After completing the insourcing of the production of pharmaceutical stamps, in 2017 all the production was at



Poligrafico's Rome and Foggia sites.

The positive performance of designated origin and designated geographic origin protection markings for wines, which achieved a turnover of €12.7 million (+7% on 2016), was due to the optional adoption of markings by some of the DOC designated origin holders. The final figure for turnover was €9.9 million.

Lottery turnover reported an increase (€6.7 million), with production of the related ticket receipts becoming fully operational in 2017.

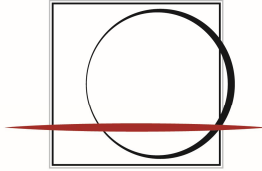
The turnover for *tobacco tags* (-35.4%) totalling € 8.2 million was affected by the considerable increase in supplies in the previous year, which therefore led to lower demand from the Customs and Monopolies Agency so as to consume inventories, also in view of the introduction of the new tag planned from 2019 in compliance with the directive on tracking and tracing tobacco products.

The turnover for *prescription pads* (€5.1 million) fell strongly compared to the previous year (-30.3%) due to the gradual spread of electronic prescriptions and resulting consumption of stocks held by the Regions and Autonomous Provinces.

The decline of the *revenue stamps and postage stamps* segment continued (-22%). The market remains influenced by technological developments that have affected the postal industry and the choice of Poste Italiane customers to gradually replace traditional stamps with electronic franking.

The number of *licences (polycarbonate cards)* delivered in 2017 generated a turnover of around €6.9 million, down 15% on 2016, reflecting a stock optimisation policy adopted by the Italian driver and vehicle licensing centre.

- *Registration plates*: €64.8 million (€55.3 million at 31.12.2016). In 2017, the 7.9% increase in registrations compared to the previous year led to stronger demand for car registration plates, which is reflected in the 18.6% increase in turnover. The sales performance of registration plates for motor vehicles and motorcycles was also positive (+4%), achieving turnover of €4.0 million.
- *Electoral graphics*: € 10 million (€ 20.8 million at 31.12.2016): the electoral contract reduced as a result of electoral consultations that involved municipalities with a smaller number of residents. The turnover in publications and forms was €3.6 million, essentially in line with the previous year.
- *Legal and Administrative*: €31.8 million (€30.5 million at 31.12.2016). Official Gazette turnover rose by around 5% as a result of the higher number of inserts (+4%) and the average value of inserts published (+1.6%). Activities to gather inserts via web interface



continued, allowing individuals requiring inserts to interact directly with the company's portal.

The contribution from the Ministry of Economy and Finance for the online Official Gazette was €4 million, in line with the figure for 2016;

- *Coin and medallion minting*: €37.5 million (€30.8 million at 31.12.2016). The legal tender contingent for 2017 as requested by the Ministry of Economy and Finance was 526 million coins. As regards this contingent, 389 million coins were delivered during the year, added to which are 113 million coins from the previous year's contingent. The negative trend continues for coin collection products, essentially due to falling demand from collectors and few requests from the main buyers San Marino and The Vatican, down 8% with a turnover of €4.5 million.

Medallions benefited from the RAI contract for management of the "Game Shows" service for the supply and delivery of gold tokens to winners, with a turnover of €11.8 million. Lastly, the segment was positively impacted by orders received from Editalia S.p.A., with a turnover of around €2.4 million.

- *Other*: €1.9 million attributable mainly to portal management.

## **A.2 Change in inventories of work in progress, semi-finished and finished products**

The *change in inventories of work in progress, semi-finished and finished products* was positive for €21.3 million (€-0.3 million at 31.12.2016). The main increases referred to semi-finished electronic documents, paper produced for electoral consultations, registration plates, Lottery ticket receipts, wine markings, licences and, lastly, to semi-finished products acquired from the former Editalia S.p.A. business unit.

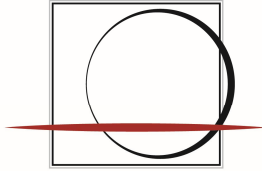
## **A.3 Change in contract work in progress**

The *change in contract work in progress* was negative for €10.7 million (€-3 million at 31.12.2016) as a result of completion of the contracts concerned.

## **A.5 Other revenues and income**

*Other revenues and income* amounted to €11.7 million (€20.3 million at 31.12.2016). Provisions were reversed for €10 million during the year as a result of further assessments that led to updating the estimated values from previous years.

This item records operating grants, property lease instalments, sundry reimbursements, capital gains on asset disposals, insurance indemnities and assessment differences.



## B. Costs of production

*Costs of production* were up compared to the previous year and totaled €325.1 million (€301.8 million at 31.12.2016). The change can be attributed to the increase in production volumes achieved, as well as the further write-down of receivables due from the parent company for the transport services provided in the period 2002-2006, taking into consideration that the procedure relating to the transaction with the Ministry of Economy and Finance was slowed due to legal and administrative issues.

Though the policy on inventory rationalisation and service containment continued, a number of income statement items increased: precious metals, purchases of which reflect the RAI contract for the minting and delivery of gold tokens for game shows, shipments relating to the Electronic ID Card contract, industrial services and maintenance. Costs relating to the electoral contract decreased (€2.2 million) due to the lower number of consultations carried out during the year.

Labour costs increased as a result of the management initiatives to streamline and renew the workforces, with a higher average number of human resources in the company, partly offset by the turnover of personnel with young employees at a lower cost to the company.

### B. 6 Costs for raw materials, consumables and goods for resale

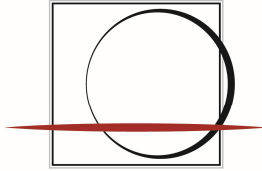
*Costs for raw materials, consumables and goods for resale* amounted to €60.8 million (€45.4 million at 31.12.2016). The increase, amounting to €15.4 million, is mainly attributable to the higher costs incurred to purchase precious metals and raw materials for the Electronic ID Cards.

### B. 7 Service costs

*Service costs* amounted to €64.6 million (€58.9 million at 31.12.2016), up by €5.7 million compared to the previous year.

In particular:

- *external graphics processing and other services*, for €10.2 million (€14 million at 31.12.2016). Following completion of the insourcing of pharmaceutical stamps production, all costs relating to these services were zeroed out resulting in a change of around €1.8 million. Also down were the costs incurred for the electoral contract (change of €-4.4 million). Other industrial services and those associated with the metalworking required for minting recorded an increase;
- *surveillance services and portage*, for €6.2 million (€5.4 million at 31.12.2016).



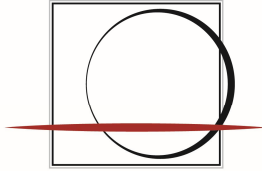
These refer to costs incurred for surveillance at the production sites and at premises used as valuables deposits;

- *electricity, gas, water and telephone utilities* for € 9.8 million (€ 8.7 million at 31.12.2016);
- *asset maintenance and repairs, support contracts and other* for €23.2 million (€20.8 million at 31.12.2016). The costs are associated with routine maintenance activities carried out on all the operating assets. With a view to space optimisation, some production was reallocated to different production sites, subjecting the assets themselves to a full review. This item includes maintenance of the equipment relating to security document projects;
- *cleaning*, for €2.9 million (€2.4 million at 31.12.2016);
- *transport*, for €2.8 million (€3.4 million at 31.12.2016), the change partly attributable to lower costs incurred for the electoral contract, costs which in any event were charged back to the principal;
- *professional services*, for €1.8 million (€1.8 million at 31.12.2016). This item includes commercial, administrative and legal services and the cooperation agreements;
- *business travel, professional refresher training, insurance, health check-ups and advertising*, for €2.7 million (€1.9 million at 31.12.2016). For part of the costs incurred for personnel training, the company benefits from Fondimpresa contributions. In line with the recent spending review regulations, Poligrafico has complied with the caps set on company car management and for the purchase of taxi vouchers. The change is attributable to the higher costs incurred for employee business travel from/to Rome/Foggia;
- *postal charges*, for €4.9 million (€0.8 million at 31.12.2016). These were costs incurred for the mailing of Electronic ID Cards.

#### **B. 8 Use of third party assets**

*Use of third party assets* totaled €1.8 million (€1.3 million at 31.12.2016). These are mainly expenses relating to software licence fees, rental costs for the Verrès production site and commercial premises in Piazza Verdi. This item also includes rentals of office machines and other production equipment.





## **B. 9 Personnel costs**

*Personnel costs* amounted to €98.7 million (€95.3 million at 31.12.2016), up on the previous year. In line with the 2017-2019 Business Plan, a recruitment policy continued during the year with the aim of renewing and enhancing company skills. The increase is linked to the higher average number of employees available to the company (110.4 staff more on average). The management initiatives to streamline and renew workforces, turnover of personnel with young employees, partly offset this increase. For this purpose, the exit incentive plan continued to facilitate a generational turnover. 196 new employees were recruited as a result of this initiative, 40 of which following the merger of the former Editalia S.p.A. administrative business unit, whilst a total of 117 employees left the company.

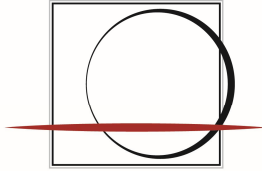
Further details on the average workforce can be found in the chapter “Other Information”.

## **B. 10 Amortisation, depreciation and write-downs**

*Amortisation, depreciation and write-downs* totaled € 75.4 million (€ 69.8 million at 31.12.2016). This item includes:

- amortisation of intangible assets for €2.5 million (€2.5 million at 31.12.2016);
- depreciation of tangible assets for €20.8 million (€26.3 million at 31.12.2016);
- write-down of receivables classed as current assets for € 52.1 million, relating to the residual amount of transport costs incurred by Poligrafico on behalf of the Ministry of Economy and Finance. Taking into account that the administrative and legal steps to achieving formal finalisation of the settlement agreement in effect slowed, it was prudentially decided to write down the residual amount of the receivable.





### **B. 11 Change in inventories of raw materials, consumables and goods for resale**

The *change in inventories of raw materials, consumables and goods for resale* was positive for €3.1 million (€1.4 million at 31.12.2016). The positive effect is attributable to higher stocks of production materials (€1.4 million), precious metals required for Zecca products (€1.6 million), printing ink (€0.3 million), paper purchased (€0.1 million), materials for planchet production (€0.8 million), partly offset by lower quantities of cellulose and the raw materials needed for minting and registration plate production.

### **B. 12 Provisions for risks**

*Provisions for risks* amount to €22 million. These allocations refer to the adjustment to risk provisions in relation to activities, pending finalisation, for environmental restorations and company restructuring.

### **B. 14 Other operating costs**

*Other operating costs* amounted to €4.8 million (€14.4 million at 31.12.2016). These mainly refer to indirect taxes and sundry charges (€4 million), assessment differences, membership fees and sundry operating expenses for the remainder.

## **C. Financial income and charges**

*Net cash flow from financing activities* generated a positive balance of €4.7 million (€7 million at 31.12.2016), down by €2.3 million, mostly as a result of the lower tax rate on credit recognised by the banks, indicating a net improvement in their capital strength.

The interbank rate performance, to which liquidity remuneration is largely indexed, in any event had a positive effect on the company's financial management for around €4.5 million.

In detail, *other financial income* can be broken down as follows:

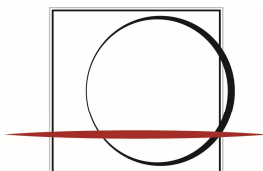
*Financial income from receivables classed as fixed assets* for €12 thousand (€0.3 million at 31.12.2016);

*Financial income from securities classed as fixed assets* for €0.4 million (€0.8 million in 2016). This item includes interest accrued on BTP treasury bonds held in the corporate portfolio;

*Financial income from securities classed as current assets that do not qualify as investments:* during the year the securities were not used in remunerative lending, but rather in quarterly repurchase transactions. The revenue from the sale was in turn used in term deposits.

*Income other than the above* for €4.6 million (€5.9 million at 31.12.2016) referred to:

- o interest income on bank deposits that totaled €4.5 million (€5.7 million at 31.12.2016).



The change is attributable to the decrease in average inventories and to the interest rates applied by banks in line with market values;

- interest income on other receivables for €70 thousand (€71 thousand at 31.12.2016);
- other financial income for €80 thousand (€43 thousand at 31.12.2016), of which €59 thousand for commissions on game shows and prize competitions;

*Interest and other financial charges* for €312 thousand (€331 thousand at 31.12.2016), comprising interest accrued on loan instalments due and interest on other payables.

*Exchange gains and losses* were negative for €1 thousand (€-44 thousand at 31.12.2016), with breakdown as follows:

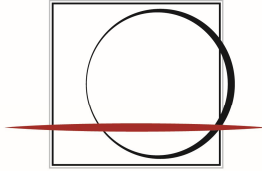
- *exchange gains* for €2 thousand (€15 thousand at 31.12.2016) relating to gains achieved during the year;
- *exchange losses* for €3 thousand (€59 thousand at 31.12.2016) relating to losses incurred during the year.

### Income taxes for the year

*Current taxes*, totalling €35.4 million, comprise the corporate income taxes (IRES) for €28.3 million, and the regional tax on productive activities (IRAP) for €7.1 million, whilst deferred tax assets amounted to €10.6 million.

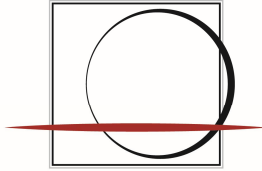
#### ○ *Statement on temporary differences*

<i>(in €/000)</i>	Temporary differences	Tax effect	% Rate	Temporary differences	Tax effect	% Rate
	2017			2016		
<i>Tax assets</i>						
Allowance for obsolete goods				27,186	1,310	4.82%
Bad debt provision	52,141	12,514	24.00%	37,420	8,981	24.00%
<b>Total</b>	<b>52,141</b>	<b>12,514</b>		<b>64,606</b>	<b>10,291</b>	
<i>Utilisation</i>						
Allowance for obsolete goods	27,186	1,310	4.82%	28,931	1,347	4.82%
Other	12,365	596		981	47	
<b>Total</b>	<b>39,551</b>	<b>1,906</b>		<b>29,912</b>	<b>1,394</b>	
Tax assets		<b>10,607</b>			<b>8,897</b>	



○ *Reconciliation between the applicable and effective tax rates*

<b>IRES</b>	<b>%</b>
<i>Statutory income before tax</i>	24.00
<b>Increases</b>	
- Inventories	1.40
- Accelerated amortisation/depreciation	0.33
- Allocations	9.25
- Allocation to bad debt provision	16.78
- Other	1.15
<b>Decreases</b>	
- Inventories	(3.88)
- Allocations	(9.36)
- Accelerated amortisation/depreciation	(0.73)
- Other	(0.98)
<b>Total</b>	<b>37.96</b>
<b>IRAP</b>	<b>%</b>
Value of production	4.82
Increases	0.17
Decreases	(0.21)
Other deductions	(1.85)
<b>Total</b>	<b>2.93</b>



## Other information

- *Total receivables and payables with a residual duration of more than five years and payables backed by guarantees (art. 2427, paragraph 6), Italian Civil Code)*

The debit and credit positions which, based on their respective contractual relations, have a residual duration of more than five years are as follows:

- *financial assets* - Other receivables which amounted to €1.4 million. This item refers to INA receivables due for premiums paid on the collective capitalisation policy as guarantee for post-employment benefits, suspended contributions and guarantee deposits;
- *payables to other lenders* for €4.4 million.
- *Total financial charges recognised as assets (art. 2427, paragraph 8), Italian Civil Code)*  
There are no financial charges recognised among assets in the Balance Sheet.

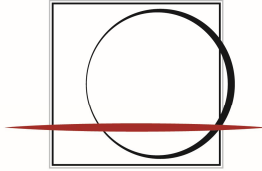
- *Commitments, guarantees and contingent liabilities not recorded in the Balance Sheet (art. 2427, paragraph 9), Italian Civil Code)*

Personal guarantees given:

- *letters of patronage* in favour of subsidiaries for € 1.7 million (€ 7.2 million at 31.12.2016);
- *sureties, endorsements and non-collateral guarantees* amounted to € 1.6 million with respect to equity investments and/or tender awards (€3.3 million in 2016).

Other:

- *third-party security deposits/guarantees* totaled €500 and refer to security deposits paid by suppliers as performance bonds;
- *third-party assets in progress* amounted to €4.6 million (€2.2 million at 31.12.2016);
- *third-party assets held in deposit* amounted to € 3.2 million (€ 2.8 million at 31.12.2016).

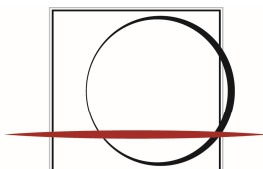


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- Breakdown of receivables, payables and revenues from sales and services by asset category and geographic area (art. 2427, paragraph 10, Italian Civil Code)
- Receivables

The receivables are indicated at their nominal value in the breakdown by geographic area

	Receivables by geographic area (values in €/000)	31.12.2017			31.12.2016			Changes
		Italy	Abroad	Total	Italy	Abroad	Total	
A	<b>Receivables classed as fixed assets</b>							
	Others	2,764	0	2,764	3,244	0	3,244	(480)
	<b>Subtotal</b>	<b>2,764</b>	<b>0</b>	<b>2,764</b>	<b>3,244</b>	<b>0</b>	<b>3,244</b>	<b>(480)</b>
B	<b>Receivables classed as current assets</b>							
	Trade	42,715	1,861	44,576	29,133	966	30,099	14,477
	Subsidiaries	9	0	9	3,006	0	3,006	(2,997)
	Associates	6,224	0	6,224	0	0	0	6,224
	Parent company	606,284	0	606,284	693,806	0	693,806	(87,522)
	Companies under parent company control	5,194	0	5,194	2,563	0	2,563	2,631
	Tax	7,244	0	7,244	4,249	0	4,249	2,995
	Tax assets	21,495	0	21,495	10,887	0	10,887	10,608
	Others	4,940	0	4,940	2,228	0	2,228	2,712
		<b>Subtotal</b>	<b>694,105</b>	<b>1,861</b>	<b>695,966</b>	<b>745,872</b>	<b>966</b>	<b>746,838</b>
A+B	<b>Total</b>	<b>696,869</b>	<b>1,861</b>	<b>698,730</b>	<b>749,116</b>	<b>966</b>	<b>750,082</b>	<b>(51,352)</b>



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

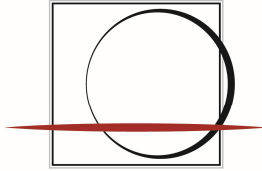
○ *Payables*

Payables by geographic area <i>(values in €/000)</i>	31.12.2017				31.12.2016				Change
	Italy	EU	Rest of the world	Total	Italy	EU	Rest of the world	Total	
Banks	292	0	0	292	24,454	0	0	24,454	(24,162)
Other lenders	66,912	0	0	66,912	95,821	0	0	95,821	(28,909)
Advances	496	0	0	496	281	0	0	281	215
Suppliers	59,152	1,141	386	60,679	47,705	949	0	48,654	12,025
Subsidiaries	15,758	0	0	15,758	15,776	0	0	15,776	(18)
Associates	17	0	0	17	0	0	0	0	17
Parent company	113,251	0	0	113,251	145,997	0	0	145,997	(32,746)
Companies under parent company control	484	0	0	484	829	0	0	829	(345)
Tax	463,608	0	0	463,608	514,130	0	0	514,130	(50,522)
Social security payables	6,554	0	0	6,554	6,566	0	0	6,566	(12)
Others	13,786	0	0	13,786	112,586	0	0	112,586	(98,800)
<b>Total</b>	<b>740,310</b>	<b>1,141</b>	<b>386</b>	<b>741,837</b>	<b>964,145</b>	<b>949</b>	<b>0</b>	<b>965,094</b>	<b>(223,257)</b>

- *Revenues from sales and services* totaled € 372.6 million. The breakdown by geographic area is illustrated in the following table:

Revenues by geographic area <i>(values in €/000)</i>	31.12.2017			31.12.2016		
	Italy	Abroad	Total	Italy	Abroad	Total
ID documents	107,351	104	107,455	91,184	0	91,184
Security prints	118,896	0	118,896	111,904	3,507	115,411
Registration plates	64,794	2	64,796	55,251	0	55,251
Electoral graphics	10,009	0	10,009	20,541	0	20,541
Legal and Administrative	31,760	76	31,836	30,223	300	30,523
Coin and medallion minting	33,703	3,795	37,498	27,180	3,650	30,830
Other activities	2,053	31	2,084	1,872	0	1,872
<b>Total</b>	<b>368,566</b>	<b>4,008</b>	<b>372,574</b>	<b>338,155</b>	<b>7,457</b>	<b>345,612</b>

- *Revenue or cost elements of exceptional extent or impact (art. 2427, paragraph 13), Italian Civil Code)*



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No revenue or cost elements of exceptional extent or impact were recorded.

○ *Employment figures (art. 2427, paragraph 15), Italian Civil Code)*

The number of employees at 31 December 2017, with breakdown by category, is shown in the following table, which also indicates the average workforces and similar data for 2016.

	31.12.2017	31.12.2016	Change	2017 average	2016 average
Executives	27	24	3	27	23
Office staff	1020	935	85	1050	891
Manual workers	689	698	(9)	699	716
<b>Total</b>	<b>1,736</b>	<b>1,657</b>	<b>79</b>	<b>1,776</b>	<b>1,630</b>
Personnel on fixed-term contracts	0	50	(50)		
<b>Overall total</b>	<b>1,736</b>	<b>1,707</b>	<b>29</b>		

In particular, during the year a total of 117 employees left the company and 196 were recruited. The fixed-term contract expired in 2017.

○ *Remuneration of Directors, Statutory Auditors and Independent Auditors (art. 2427, paragraphs 16) and 16-bis), Italian Civil Code)*

The remuneration due to Directors, Statutory Auditors and the Independent Auditors totaled € 247 thousand, € 67 thousand and € 20 thousand, respectively. The latter refer entirely to external audit activities. A part of the remuneration due to Directors and Statutory Auditors was paid into the Administration Fund of the relevant Ministry. Also note that the company has not granted advances or credit to directors and statutory auditors.

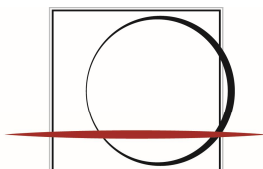
○ *Number and nominal value of each category of company shares and the number and nominal value of new company shares subscribed during the year (art. 2427, paragraph 17), Italian Civil Code)*

The share capital comprises 340,000,000 ordinary shares with a nominal value of € 1.00 each. No new shares were subscribed during the year.

No other types of shares, ordinary or convertible bonds or other securities and financial instruments have been issued by the company.

○ *Financial instruments (art. 2427, paragraph 19), Italian Civil Code)*

The Company has not issued financial instruments.



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- *Assets and financing for specific business purposes (art. 2427, paragraphs 20) and 21), Italian Civil Code)*

The Company has no assets for specific business purposes and has not obtained financing for any specific business purpose. Consequently, there is nothing to report in this respect.

- *Finance lease transactions (art. 2427, paragraph 22), Italian Civil code)*

The Company has no finance lease transactions in place and therefore there is nothing to report pursuant to art. 2427, paragraph 22) of the Italian Civil Code.

- *Related party transactions (art. 2427, paragraph 22-bis), Italian Civil Code)*

The related party transactions were of trade-related or financial (loans), settled at arm's length, and are indicated in the following itemised tables.

### *Economic relations*

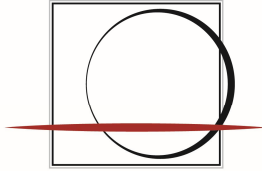
In 2017, Poligrafico's economic relations with the subsidiaries, associates, parent companies, other investees and companies under parent company control can be summarised in the following tables.

#### *a) Subsidiaries*

<i>(value in €/000)</i>	<b>31.12.2017</b>		<b>31.12.2016</b>	
	Value of production	Costs of production	Value of production	Costs of production
Editalia S.p.A.*	0	0	963	0
Innovazione e Progetti ScpA (in liquidation)	12	0	12	0
Verrès S.p.A. (in liquidation)	0	0	1	0
<b>Total</b>	<b>12</b>	<b>0</b>	<b>976</b>	<b>0</b>

\* sold to Istituto della Enciclopedia Italiana on 18 January 2017





POLIGRAFICO E ZECCA DELLO STATO ITALIANO

*b) Associates*

<i>(value in €/000)</i>	<b>31.12.2017</b>		<b>31.12.2016</b>	
	Value of production	Costs of production	Value of production	Costs of production
Istituto della Enciclopedia Italiana	0	0	0	0
Editalia S.p.A.*	3,390	0	963	0
<b>Total</b>	<b>3,390</b>	<b>0</b>	<b>963</b>	<b>0</b>

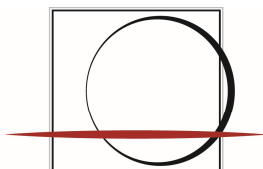
\* sold to Istituto della Enciclopedia Italiana on 18 January 2017

*c) Parent companies*

<i>(value in €/000)</i>	<b>31.12.2017</b>		<b>31.12.2016</b>	
	Value of production	Costs of production	Value of production	Costs of production
Ministry for Economy and Finance	218,584	1,203	211,432	1,129
<b>Total</b>	<b>218,584</b>	<b>1,203</b>	<b>211,432</b>	<b>1,129</b>

*d) Other investees*

<i>(value in €/000)</i>	<b>31.12.2017</b>		<b>31.12.2016</b>	
	Value of production	Costs of production	Value of production	Costs of production
Meccano S.p.A.	0	65	0	29
<b>Total</b>	<b>0</b>	<b>65</b>	<b>0</b>	<b>29</b>

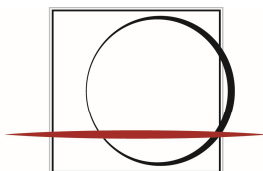


POLIGRAFICO E ZECCA DELLO STATO ITALIANO

e) *Other related parties*

<i>(value in €/000)</i>	31.12.2017		31.12.2016	
	Value of production	Costs of production	Value of production	Costs of production
Consap S.p.A.	5	0	0	0
Consip S.p.A.	219	0	0	0
ANAS Group	1,316	0	922	0
Cassa Depositi e Prestiti Group	148	0	114	0
ENAV Group	42	0	47	0
ENEL Group	10	2,923	2	1,294
ENI Group	299	26	360	6
EQUITALIA Group	14	0	0	0
Ferrovie dello Stato Group	537	162	106	3
GSE Group	6	0	14	4
Invitalia Group	44	0	35	0
Poste Italiane Group	21	4,805	48	869
RAI Radio Televisione Italiana Group	12,012	3	2,656	1
SOGEI Group	0	0	10	0
SOGESID Group	6	0	8	0
SOGIN Group	29	0	23	0
Istituto Luce s.r.l.	0	0	0	1
Invimit	0	0	6	0
Mefop	0	0	1	0
STMICROELECTRONICS SRL	3	0	0	0
Studiare sviluppo	0	0	1	0
<b><i>Pension funds</i></b>				
Byblos Fondo Nazionale pensioni	0	3,526	0	2,675
Fopadiva	0	716	0	844
Previndai	0	270	0	179
Assidai	0	0	0	35
Unipol Assicurazioni	0	1	0	0
<b>Total</b>	<b>14,711</b>	<b>12,432</b>	<b>4,353</b>	<b>5,911</b>

Trade relations with related parties increased in volume as a result of the award, from Poste Italiane S.p.A., of the Electronic ID Card distribution contract covering all of Italy. The value of production was boosted by award of the RAI contract for the minting and distribution service for gold tokens relating to game shows.



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

o *Financial relations*

In 2017, Poligrafico's financial relations with the subsidiaries, associates, parent companies, other investees and companies under parent company control can be summarised in the following tables, without taking into account the effects of the bad debt provision.

a) *Subsidiaries*

(value in €/000)	31.12.2017				31.12.2016			
	Trade		Financial		Trade		Financial	
	Receivables	Payables	Receivables	Payables	Receivables	Payables	Receivables	Payables
Editalia S.p.A.*	0	0	0	0	3,162	6	0	12
Innovazione e Progetti SepA	0	0	0	15,750	0	0	0	15,750
Verrès SpA (in liquidation)	2	8	0	0	2	8	0	0
<b>Total</b>	<b>2</b>	<b>8</b>	<b>0</b>	<b>15,750</b>	<b>3,164</b>	<b>14</b>	<b>0</b>	<b>15,762</b>

\* sold to Istituto della Enciclopedia Italiana on 18 January 2017

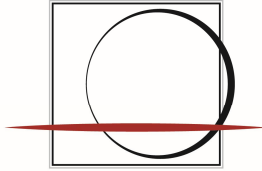
b) *Associates*

(value in €/000)	31.12.2017				31.12.2016			
	Trade		Financial		Trade		Financial	
	Receivables	Payables	Receivables	Payables	Receivables	Payables	Receivables	Payables
Editalia*	6,491	6	0	0	3,162	6	0	12
<b>Total</b>	<b>6,491</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>3,162</b>	<b>6</b>	<b>0</b>	<b>12</b>

\* sold to Istituto della Enciclopedia Italiana on 18 January 2017

c) *Parent companies*

(value in €/000)	31.12.2017				31.12.2016			
	Trade		Financial		Trade		Financial	
	Receivables	Payables	Receivables	Payables	Receivables	Payables	Receivables	Payables
Ministry for Economy and Finance	726,748	113,251	65,634	0	727,944	145,996	98,451	100,000
<b>Total</b>	<b>726,748</b>	<b>113,251</b>	<b>65,634</b>	<b>0</b>	<b>727,944</b>	<b>145,996</b>	<b>98,451</b>	<b>100,000</b>



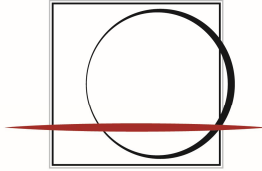
POLIGRAFICO E ZECCA DELLO STATO ITALIANO

d) Other related parties

(value in €/000)	31.12.2017				31.12.2016			
	Trade		Financial		Trade		Financial	
	Receivables	Payables	Receivables	Payables	Receivables	Payables	Receivables	Payables
Consip	52	0	0	0	95	0	0	0
ANAS Group	486	0	0	0	673	0	0	0
CDP Group	4	0	0	5,483	45	0	0	5,658
ENAV Group	5	0	0	0	3	0	0	0
ENEL Group	13	253	0	0	13	195	0	0
ENI Group	40	2	0	0	76	0	0	0
Ferrovie Group	515	46	0	0	232	0	0	0
GSE Group	0	0	0	0	2	0	0	0
Invitalia Group	9	0	0	0	14	0	0	0
Leonardo Group (formerly Finmeccanica)	0	182	0	0	0	182	0	0
Poste Group	0	0	0	0	104	451	0	0
RAI Group	4,271	0	0	0	1,406	0	0	0
SOGEI Group	0	0	0	0	12	0	0	0
SOGIN Group	5	0	0	0	23	0	0	0
STMICROELECTRONICS	4	0	0	0	0	0	0	0
<b>Pension funds</b>								
Kedrios	0	0	0	0	0	0	3	0
Generali Group	0	0	0	1	0	0	1	1
Byblos	0	0	0	574	0	0	0	578
Fopadiva	0	0	0	14	0	0	0	12
Fata assicurazioni	0	0	0	1	0	0	0	1
Previndai	0	0	0	94	0	0	0	85
Alleanza Assicurazioni	0	0	0	5	0	0	0	6
Pioneer Investment Management	0	0	0	1	0	0	0	1
Fideuram Vita	0	0	0	1	0	0	0	1
UnipolSAI Assicurazioni	0	0	0	1	0	0	0	0
Mediolanum Vita	0	0	0	1	0	0	0	1
<b>Total</b>	<b>5,404</b>	<b>483</b>	<b>0</b>	<b>6,176</b>	<b>2,698</b>	<b>828</b>	<b>4</b>	<b>6,344</b>

○ Off-balance sheet arrangements (art. 2427, paragraph 22-ter), Italian Civil Code)

There are no off-balance sheet arrangements that could have a significant effect on the



Company's financial position.

- *Name and registered office of the company preparing the consolidated financial statements (art. 2427, paragraphs 22-quinquies and 22-sexies, Italian Civil Code)*

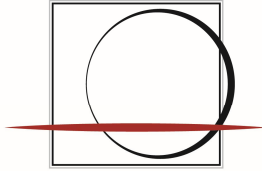
The Company is not a member of a group required to prepare consolidated financial statements.

- *Derivatives*

Pursuant to art. 2427-bis, paragraph 1.1 of the Italian Civil Code, note that the Company has not signed any derivative contracts.

- *Application of amortised cost*

Italian Legislative Decree 139/15 introduces the amortised cost criterion used to measure receivables, payables and fixed assets represented by securities. The regulation envisages an optional exception allowing non-application of the amortised cost criterion to receivables, payables and fixed assets represented by securities recorded in the 2015 financial statements.



POLIGRAFICO E ZECCA DELLO STATO ITALIANO

*Significant events after year end and business outlook (art. 2427, paragraph 22-quater, Italian Civil Code).*

Information on the economic, equity and financial effects of subsequent events, events occurring after year end, the business outlook and the allocation of profit for the year can be found in the Report on Operations.

*Allocation of profit for the year (art. 2427, paragraph 22-septies, Italian Civil Code)*

Dear Shareholder,

these Financial Statements, submitted for your approval, include information on the economic, equity and financial position of Poligrafico for 2017 and the main events occurring in the first few months of 2018.

In particular, details are provided of the considerable investment plans that the company is expected to incur for major “country system” projects (ID documents, anti-counterfeit systems, sensitive databases) and the potential risk profiles.

The 2017 financial statements closed with a net profit of € 49,764,920 (exact figure € 49,764,919.74) for which the proposed allocation is as follows:

- €2,488,245.99 to top up the legal reserve to 5%;
- €47,276,673.75 as retained earnings.

THE BOARD OF DIRECTORS



# Istituto Poligrafico e Zecca dello Stato S.p.A.

Financial statements as at December 31, 2017

Independent auditor's report in pursuant to article 14 of  
Legislative Decree n. 39, dated 27 January 2010

## Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholder of  
Istituto Poligrafico e Zecca dello Stato S.p.A.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Istituto Poligrafico e Zecca dello Stato S.p.A. (the Company), which comprise the balance sheet as at 31/12/2017, the income statement and statement of cash flows for the year then ended, and explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31/12/2017, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

#### 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.

#### Other matters

The financial statements of Istituto Poligrafico e Zecca dello Stato S.p.A. for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 05/05/2017.

#### 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 the Italian regulations governing financial statements, 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 operations, 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, 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.

## 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

The Directors of Istituto Poligrafico e Zecca dello Stato S.p.A. are responsible for the preparation of the Report on Operations of Istituto Poligrafico e Zecca dello Stato S.p.A. as at 31/12/2017, including its consistency with the related financial statements and its 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 Report on Operations, with the financial statements of Istituto Poligrafico e Zecca dello Stato S.p.A. as at 31/12/2017 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Istituto Poligrafico e Zecca dello Stato S.p.A. as at 31/12/2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Rome, April 13, 2018

EY S.p.A.

Signed by: Mauro Ottaviani, partner

*This report has been translated into the English language solely for the convenience of international readers.*

To the Shareholder of Istituto Poligrafico e Zecca dello Stato S.p.A.  
registered office in Rome, Via Salaria no. 691

Subject: Report of the Board of Statutory Auditors on the financial statements for the financial year ending on 31 December 2017 drafted pursuant to art. 2429, paragraph 2, of the Italian Civil Code.

This report was approved as a body and in good time for its filing at the company's registered office, within 15 days prior to the date of the first convocation of the shareholders' meeting to approve the financial statements in question.

The board of directors made available the following documents approved on 28 March 2018, relating to the year ending on 31 December 2017:

- draft financial statements for the financial year, complete with explanatory notes;
- financial report;
- management report;

For the financial year 2017, the company did not draw up the consolidated financial statements, pursuant to article 27 of Italian Legislative Decree 127/91, letters c) and d), since it considered that the subsidiaries, both individually and collectively, are irrelevant for the purposes of a true and correct representation of the equity-related, financial and economic situation of the group.

The preparation of this report is inspired by the provisions of the law and the Standard no. 7.1 of the *"Rules of conduct of the board of statutory auditors - Principles of conduct of the board of statutory auditors of unlisted companies"*, issued by the CNDCEC [National Association of Certified Public Accountants].

#### Knowledge of the company, risk assessment and report on the tasks entrusted

Given the knowledge that the Board of Statutory Auditors declares to have with regard to the company and with regard to:

- the type of business engaged in;
- its organisational and accounting structure;

also taking into account the size and the problems of the company, it is reaffirmed that the "*planning*" phase of supervisory activity - under which the intrinsic risks and critical issues must be assessed with respect to the two parameters mentioned above - was implemented on the basis of positive feedback regarding that already known based on the information acquired over time.

It was therefore possible to confirm that:

- the typical business engaged in by the company has not changed during the year under review and is consistent with the provisions of the corporate purpose;
- the organisational structure has undergone changes in line with the strategic guidelines set forth in the Business Plan;
- there was an increase in the number of employees in line with the provisions of the Business Plan, as labour costs are on the rise following the growth in the number of resources available to the company on average. The management initiatives aimed, on the one hand, at the rationalisation and renewal of the workforce, and, on the other hand, at the turnover of personnel with young resources, partly offset this increase;
- it is also possible to note that the company operated in 2017 in terms comparable with the previous year and, consequently, the checks by the Board of Statutory Auditors were carried out on these assumptions having verified the substantial comparability of the amounts and results with those of the previous financial year.

This report therefore summarises the activity concerning the disclosure required by art. 2429, paragraph 2, of the Civil Code, and more precisely concerning:

- the results of the financial year;
- the activities carried out in the fulfilment of the duties established by said statute;
- the observations and proposals regarding the financial statements for the financial year.

The activities carried out by the Board concerned, from a temporal perspective, the entire financial year and during the course of the financial year itself meetings were duly held pursuant to art. 2404, Italian Civil Code, to which the Magistrate of the Court of Auditors in charge of oversight was invited pursuant to art. 12 of the Italian Law no. 259/1958; specific minutes drafted of these meetings, which were duly signed on the basis of unanimous approval.

Supervisory activity was also conducted through:

- participation in shareholders' meetings;
- participation in the meetings of the Board of Directors;
- meetings with the audit firm Ernst & Young;
- meetings with the tax consultancy firm;
- meetings with the Executive in Charge of preparing the corporate accounting documents and with those responsible for transparency and anti-corruption;
- analysis of company documentation;
- specific hearings with the executives of the main company departments to obtain the necessary information to monitor the adequacy and functioning of the organisational structure, the administrative accounting system and its reliability in representing operations; overall, specific attention was paid to the adequacy and effectiveness of the Internal Control and Risk Management System (SCIGR).

The information required by art. 2381, paragraph 5, Civil Code, was provided by the Chief Executive Officer during the meetings of the Board of Directors more frequently than the 3-month minimum established by the Articles of Association.

#### Activities undertaken

During the periodic checks, the Board took note of the evolution of the activities carried out by the Company, paying particular attention to contingent and/or extraordinary problems in order to identify the economic and financial impact on the result for the financial year and on the equity structure, as well as any risks such as also those deriving from credit losses.

The Board therefore periodically monitored:

- the adequacy of the organisational and functional structure of the company and its possible changes with respect to the basic needs in line with company performance;
- the applied accounting separation system, as required by Italian Legislative Decree no. 333 of 11 November 2003. The company drew up the reclassified profit and loss statement (featured in the Management Report) divided by activities in favour of the State and Public Administrations and activities carried out "for the market", in order to summarise the pertinent values of these activities;

- the policy adopted by the company regarding the remuneration of directors with delegated powers, also in terms of achieving the objectives assigned thereto with reference to the variable portion as provided for by article 4 of Italian Ministerial Decree No. 166/2013, with the issuance of the established opinions;

In conclusion, as far as it was possible to observe during the activity carried out during the financial year, the Board of Statutory Auditors can state that:

- the decisions taken by the shareholder and the board of directors were in compliance with the law and the articles of association and were not manifestly imprudent or such as to compromise the integrity of the company's assets;
- information was acquired relating to the company's general performance and its foreseeable evolution, as well as to the most significant transactions, by size or characteristics, carried out by the company;
- the transactions carried out were also compliant with the law and the articles of association and not in potential conflict with the resolutions passed in the shareholders' meeting or such as to compromise the integrity of the company's assets;
- no specific observations are made regarding the adequacy of the company's organisational structure, or with regard to the adequacy of the administrative and accounting system, as well as regarding the reliability of the latter in correctly representing operations;
- during the course of the supervisory activity, as described above, no other significant facts emerged that would require reporting herein;
- it did not have to intervene due to the omissions of the board of directors pursuant to art. 2406, Italian Civil Code;
- no complaints were received pursuant to art. 2408, Italian Civil Code;
- no complaints were made pursuant to art. 2409, paragraph 7, Italian Civil Code;
- during the financial year, it was called upon to issue opinions established under law, in relation to art. 2389, paragraph 3 of the Italian Civil Code.

#### Observations and proposals regarding the financial statements and their approval

The draft financial statements for the financial year ending on 31 December 2017 were approved by the board of directors and consist of the balance sheet, the profit and

loss statement, the cash flow statement and the explanatory notes, on which the following information is provided:

- the financial statements were prepared in compliance with the statutory provisions contained in the Italian Civil Code, concerning financial statements, as amended by Italian Legislative Decree no. 139/05, implementing EU Directive 2013/34/EU, and with the accounting standards issued by the Italian Accounting Body;
- the valuation criteria for asset and liability items were not substantially different from those adopted in previous financial years, in compliance with the provisions of art. 2426, Italian Civil Code;
- attention was paid to the approach given to the draft financial statement, to its overall compliance with the law as regards to its formation and structure and in this regard there are no observations to be highlighted in this report;
- the observance of the laws regarding the preparation of the management report was verified and in this regard there are no observations that should be highlighted in this report;
- in drafting the financial statements, the board of directors did not disregard the legal provisions pursuant to art. 2423, paragraph 4 of the Italian Civil Code;
- the correspondence of the financial statements to the facts and information of which it became aware as a result of the performance of the typical duties of the Board of Statutory Auditors was verified and no further observations are made in this regard;
- the system of "memorandum accounts and guarantees issued" is illustrated in detail in the explanatory notes;
- information was acquired from the supervisory body pursuant to Italian Legislative Decree 231/2001 and there were no critical issues and/or violations of the organisational model that should be highlighted in this report.

The main results that can be deduced from the financial statements for the financial year in question are shown below, rounded to one million Euros:

Balance sheet (millions of €)	31.12.2017	31.12.2016	Variations
<b>Assets</b>			
Subscribed capital, unpaid	66	98	(32)
Fixed assets	186	177	9
Current assets	1.226	1.420	(194)
Accruals and deferrals	8	5	3
<b>Total Assets</b>	<b>1.486</b>	<b>1.663</b>	<b>(214)</b>
<b>Liabilities and net worth</b>			
Net worth	563	550	13
Provisions for risks and charges	158	158	0
Post-employment benefits	21	24	(3)
Payables	742	965	(223)
Accruals and deferrals	2	3	(1)
<b>Total liabilities and net worth</b>	<b>1.486</b>	<b>1.663</b>	<b>(214)</b>

In brief, the profit and loss statement features the following results:

Profit and loss statement (millions of €)	2017	2016	Variations
Value of production	395	363	32
Costs of production	(325)	(302)	(23)
Difference	70	61	9
Financial income and charges	5	7	(2)
Profit (loss) before taxes	75	68	7
Income taxes for the financial year	(25)	(29)	4
<b>Profit (loss) for the financial year</b>	<b>50</b>	<b>39</b>	<b>11</b>

Furthermore:

- the board of directors also prepared the management report pursuant to art. 2428, Italian Civil Code;
- the Chief Executive Officer and the Executive in Charge of preparing corporate accounting documents with reference to the 2017 Financial Statements confirmed:
- the adequacy and effective application of the administrative and accounting procedures for the preparation of the financial statements during the 2017 financial year;
- the correspondence of the financial statements to the results in the books and accounting records and their suitability in providing a truthful and correct representation of the Company's equity, economic and financial situation;
- that the Management Report features a reliable analysis of the Company's performance and situation, including the main risks to which it is exposed.
- the statutory audit is entrusted to the company, Ernst & Young S.p.A., which prepared the report for the financial statements for the financial year. This report expresses a



positive opinion as it does not point out findings of significant deviations, or negative judgements or the impossibility of expressing a judgement;

- the Board of Statutory Auditors also states that, on the part of the company in charge of the statutory audit, no comments were received pursuant to the ISA Italy auditing standard no. 260, nor communications regarding internal control shortcomings pursuant to ISA Italy auditing standard no. 265;
- the Board of Statutory Auditors acknowledges that the Company is required to file with the Company Registry the financial statements for the financial year complete with the Explanatory Notes according to the XBRL technical specifications.

### Results of the financial year

The net income ascertained by the Board of Directors for the financial year ending on 31 December 2017, is positive in the amount of € 49,764,919.74.

### Conclusions

Based on the foregoing and according to that informed to the Board of Statutory Auditors and that found based on the periodic checks carried out, it is unanimously held that there are no grounds for impeding your approval of the draft financial statements for the financial year ending on 31 December 2017, which were proposed to you by the board of directors.

With regard to the proposed allocation of the operating income, as put forward by the Board of Directors in the final part of the Explanatory Notes, the Board has nothing to observe.

Rome, April 13 2018

The Board of Statutory Auditors

Alessandria D'Onofrio – Chairperson

Renato Cambursano - Statutory Auditor

Giuseppe Colucci – Statutory Auditor

To the Shareholder of Istituto Poligrafico e Zecca dello Stato S.p.A.  
registered office in Rome, Via Salaria no. 691

Subject: Report by the Board of Auditors on the financial statements for the  
financial year ending on 31 December 2017 drafted pursuant to art. 2429,  
paragraph 2, of the Italian Civil Code – amendment

The Board of Statutory Auditors acquired, from the company, the statement demonstrating the calculation regarding compliance with operating objectives, entrusted to IPZS s.p.a. by the sole shareholder, pursuant to art. 19, paragraph 5, of Italian Legislative Decree 175/2016. Therefore, amending the report for the financial statements for the 2017 financial year, it confirms compliance with the objective set out in the MEF [Italian Ministry of the Economy and Finances] - DT [Treasury Department] memorandum no. 55108 dated 11 July 2017.

Rome, April 24 2018

The Board of Statutory Auditors

Alessandria D'Onofrio – Chairman

Renato Cambursano - Statutory Auditor

Giuseppe Colucci - Statutory Auditor