

# SEMI-ANNUAL INTERIM FINANCIAL REPORT

AS OF 30 JUNE 2016



COMPAGNIE INDUSTRIALI RIUNITE

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*This Semi-annual Interim Financial Report as of 30 June 2016 was prepared in accordance with Art. 154 ter of D.Lgs. 58/1998 and in conformity with applicable international accounting standards recognized in the European Union as per EU Regulation no. 1606/2002 of the European Parliament and Council of July 19 2002, and specifically with IAS 34 – Interim Financial Reporting, and also with the measures issued in implementation of Art. 9 of D. Lgs no. 38/2005.*

*This Semi-annual Interim Financial Report has been translated into English language solely for the convenience of international readers. In the event of any ambiguity the Italian text will prevail.*



COMPAGNIE INDUSTRIALI RIUNITE

Limited-liability corporation - Share capital € 397,146,183.50 - Registered Office: Via Ciovassino, 1 – 20121 Milan - [www.cirgroup.it](http://www.cirgroup.it)

R.E.A. n. 1950112 – Milan Company Register / Fiscal Code / VAT no. 00519120018

Company subject to management and coordination by COFIDE – Gruppo De Benedetti S.p.A.

Office in Rome: Via del Tritone, 169 – 00187 Rome

## ADMINISTRATIVE BODIES

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### BOARD OF DIRECTORS

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Honorary Chairman and Director	CARLO DE BENEDETTI
Chairman	RODOLFO DE BENEDETTI (*)
Chief Executive Officer and General Manager	MONICA MONDARDINI (*)
Directors	MARISTELLA BOTTICINI (2) GIAMPIO BRACCHI (1) (2) EDOARDO DE BENEDETTI FRANCO DEBENEDETTI MARCO DE BENEDETTI SILVIA GIANNINI (2) FRANCO GIRARD STEFANO MICOSSI MICHAEL PISTAUER (1) (3) CLAUDIO RECCHI (1) GUIDO TABELLINI (1)
Secretary to the Board	MASSIMO SEGRE

### BOARD OF STATUTORY AUDITORS

Chairman	PIETRO MANZONETTO
Statutory Auditors	ANNA MARIA ALLIEVI RICCARDO ZINGALES
Alternate Auditors	LUIGI MACCHIORLATTI VIGNAT LUCA VALDAMERI PAOLA ZAMBON

### INDIPENDENT AUDITORS

DELOITTE & TOUCHE S.p.A.

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Notice in accordance with the recommendation of Consob contained in its Communiqué no. DAC/RM/97001574 of 20 February 1997

(\*) Powers as per Corporate Governance

(1) Member of the Appointments and Compensation Committee

(2) Member of the Internal Control and Risks Committee

(3) Lead Independent Director



## Interim report on operations

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### 1. Key figures

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The CIR Group reported **revenues** of € 1,319.1 million in the first half of 2016, up by 2.2% from € 1,290.7 million in the same period of 2015 following growth by Sogefi (+4.6%) and KOS (+4.7%).

Consolidated **EBITDA** amounts to € 127.2 million, compared with € 120.5 million in the first six months of last year. This growth was attributable to an improvement in the EBITDA reported by the Sogefi and KOS groups, despite a slight reduction in the profitability of the Espresso Group.

Consolidated **EBIT** amounted to € 68.4 million, essentially unchanged with respect to the corresponding period in the prior year (€ 69.2 million), after an increase in the amortization, depreciation and writedowns recorded, in particular, by Sogefi.

Group **consolidated net income** was € 25.9 million compared with € 36.4 million in the same period last year; this decline was entirely due to the reduction in the financial income generated by the parent company and the non-industrial subsidiaries, as well as to the absence of the capital gain recorded by Espresso in the first half of 2015, on the sale of *All Music* to *Discovery*.

The contribution made to consolidated net income by the industrial subsidiaries amounted to € 17.7 million, compared with € 21.9 million in the first six months of last year. However, excluding the disposal gain recorded by Espresso in the first half of 2015, the contribution has risen from € 16.7 million to € 17.7 million.

Due to the difficult market conditions still faced by the media and the press in particular, the revenues of Espresso fell by 4.2%, but its net income was significant (€ 12.1 million) and substantial cash generation (€ 28.9 million; the net financial position was positive for € 18.2 million. Net income for the first half of 2015 was € 22.1 million, including the capital gain of € 9.3 million on the sale of *All Music*.

Sogefi has continued to grow, especially in North America and China, with a 4.6% rise in revenues despite the crisis in the Latin American market (excluding Mercosur, revenues were 7.6% higher); EBITDA also rose (from € 62.4 million to € 74.7 million), but net income eased from € 9.7 million in the first half of 2015 to € 8.3 million this year, due to increased amortization, depreciation and writedowns, financial expenses and taxes. Cash flow was reasonably balanced in the first half of 2016 compared with € -51.9 million in the first six months of 2015 (net debt at 30 June 2016 amounted to € 326.2 million in line with that of 31 December 2015).

Lastly, KOS has reported a 4.7% increase in revenues thanks, in particular, to the development of nursing homes following the acquisitions made in 2015; net income amounted to € 9.6 million, compared with € 7.6 million in the first half of 2015. Cash flow for the period, before dividends, was positive for € 3.4 million and net debt at 30 June 2016 amounted to € 226.3 million, compared with € 210.0 million at 31 December 2015 after having distributed € 29.9 million of dividends.

CIR and its non-industrial subsidiaries contributed net income of € 8.2 million, compared with € 14.5 million in the first half of 2015; this reduction was due to the significant hedge fund income realised in the first half of 2015, as well as to the lower returns earned from the portfolio of shares.

**Consolidated net financial debt** of € 218.2 million at 30 June 2016 compares with € 121.7 million as of 31 December 2015.

The combined net financial debt of the three principal industrial subsidiaries, € 531,5 million, has decreased by € 8.1 million since the start of the year.

The net liquidity of the parent company and its non-industrial subsidiaries amounts to € 313.3 million at 30 June 2016, down from € 417.9 million at the end of 2015. This decrease was largely due to investing about € 112 million (€ 84.5 million for the purchase of an 11.4% interest in KOS and € 17.1 million for the purchase of treasury shares) and to the distribution of dividends totalling € 29.5 million.

Group equity amounts to € 1,021.6 million at 30 June 2016, compared to € 1,103 million at 31 December 2015.

Aside from the net income for the period, this decrease was mainly due to the distribution of dividends totalling € 29.5 million, the purchase of treasury shares for € 17.1 million and the accounting effect represented by the difference between the purchase cost of the investment in KOS acquired by Ardian, according to IFRS.

*The tables on the following pages provide a breakdown by business sector of the Group's results and financial position, an analysis of the contribution made by the main subsidiaries and the combined results of CIR, the parent holding company, and the non-industrial subsidiaries.*

# INCOME STATEMENT BY BUSINESS SECTOR AND CONTRIBUTIONS TO THE RESULTS OF THE GROUP

(in millions of euro)

	1st half 2016											1st half 2015	
	Revenues	Costs of production	Other operating income & expense	Adjustments to the value of investments consolidated at equity	Amortisation/depreciation and write-downs	EBIT	Net financial income & expense	Dividends, net gains and losses on trading and the valuation of securities	Income taxes	Income/(loss) from assets held for sale	Minority interests	Net result of the Group	Net result of the Group
CONSOLIDATED													
AGGREGATE													
	(1)	(2)				(3)	(4)						
Espresso Group	292.9	(268.0)	0.2	2.2	(7.4)	19.9	(4.5)	--	(4.2)	1.0	(5.3)	6.9	12.4
Sogefi Group	798.6	(705.1)	(18.8)	--	(38.1)	36.6	(16.8)	(0.4)	(8.4)	--	(6.2)	4.8	5.6
KOS Group	227.6	(183.8)	(8.5)	--	(12.9)	22.4	(5.8)	--	(6.2)	--	(4.4)	6.0	3.9
<b>Total for main subsidiaries</b>	<b>1,319.1</b>	<b>(1,156.9)</b>	<b>(27.1)</b>	<b>2.2</b>	<b>(58.4)</b>	<b>78.9</b>	<b>(27.1)</b>	<b>(0.4)</b>	<b>(18.8)</b>	<b>1.0</b>	<b>(15.9)</b>	<b>17.7</b>	<b>21.9</b>
Other subsidiaries	--	(2.3)	2.1	--	--	(0.2)	--	--	--	--	--	(0.2)	0.1
<b>Total subsidiaries</b>	<b>1,319.1</b>	<b>(1,159.2)</b>	<b>(25.0)</b>	<b>2.2</b>	<b>(58.4)</b>	<b>78.7</b>	<b>(27.1)</b>	<b>(0.4)</b>	<b>(18.8)</b>	<b>1.0</b>	<b>(15.9)</b>	<b>17.5</b>	<b>22.0</b>
<b>CIR and other non-industrial subsidiaries (5)</b>													
Revenues	--											--	--
Net operating costs		(10.0)										(10.0)	(6.8)
Other operating income & expense			--									--	0.6
Adjustments to the value of investments consolidated at equity				--								--	--
Amortisation/depreciation and write-downs					(0.3)							(0.3)	(0.3)
EBIT						(10.3)							
Net financial income & expense							2.7					2.7	3.1
Dividends and net gains from securities trading								14.1				14.1	17.8
Income taxes									1.9			1.9	--
<b>Total of CIR and other non-industrial subsidiaries before non-recurring items</b>	<b>--</b>	<b>(10.0)</b>	<b>--</b>	<b>--</b>	<b>(0.3)</b>	<b>(10.3)</b>	<b>2.7</b>	<b>14.1</b>	<b>1.9</b>	<b>--</b>	<b>--</b>	<b>8.4</b>	<b>14.4</b>
<b>Consolidated total for the Group</b>	<b>1,319.1</b>	<b>(1,169.2)</b>	<b>(25.0)</b>	<b>2.2</b>	<b>(58.7)</b>	<b>68.4</b>	<b>(24.4)</b>	<b>13.7</b>	<b>(16.9)</b>	<b>1.0</b>	<b>(15.9)</b>	<b>25.9</b>	<b>36.4</b>

- 1) This item is the sum of "changes in inventories", "costs for the purchase of goods", "costs for services" and "personnel costs" in the consolidated income statement this item does not take into consideration the € (1.1) million effect of intercompany eliminations.
- 2) This item is the sum of "other operating income" and "other operating costs" in the consolidated income statement. This item does not take into consideration the € 1.1 million effect of intercompany eliminations.
- 3) This item is the sum of "financial income" and "financial expense" in the consolidated income statement.
- 4) This item is the sum of "dividends", "gains from trading securities", "losses from trading securities" and "adjustments to the change of financial assets" in the consolidated income statement. CIR S.p.A., CIR INTERNATIONAL S.A., CIGA Luxembourg S.A. and CIR INVESTIMENTI S.p.A..



## CONSOLIDATED FINANCIAL POSITION BY BUSINESS SECTOR

(in millions of euro)

(in millions of euro )		30.06.2016							31.12.2015
CONSOLIDATED		Fixed assets	Other net non-current assets and liabilities	Net working capital	Net financial position	Total equity	Minority interests	Group equity	Group equity
AGGREGATE									
	(1)	(2)	(3)	(4)					
Espresso Group	699.3	(161.7)	46.8	18.2	602.6		263.2	339.4	332.2
Sogefi Group	530.6	(37.7)	18.4	(326.2)	185.1		88.6	96.5	98.4
KOS Group	545.7	(22.9)	(32.4)	(226.3)	264.1		103.2	160.9	136.2
Other subsidiaries	--	2.8	(3.9)	2.8	1.7		--	1.7	1.8
Total subsidiaries	1,775.6	(219.5)	28.9	(531.5)	1,053.5		455.0	598.5	568.6
<u>CIR and other non-industrial subsidiaries</u>									
Fixed assets	19.8				19.8			19.8	19.9
Other net non-current assets and liabilities		113.9			113.9			113.9	117.3
Net working capital			(23.9)		(23.9)			(23.9)	(20.7)
Net financial position				313.3	313.3			313.3	417.9
Consolidated total for the Group	1,795.4	(105.6)	5.0	(218.2)	1,476.6		455.0	1,021.6	1,103.0

- 1) This item is the sum of "intangible assets", "tangible assets", "investment property", "investments in companies consolidated at equity" and "other equity investments" of the consolidated statement of financial position.
- 2) This item is the sum of "other receivables", "securities" and "deferred taxes" under non-current assets and of "other payables", "deferred taxes", "personnel provisions" and "provisions for risks and losses" under non-current liabilities of the consolidated statement of financial position. This item also includes the "assets held for sale" and "liabilities held for sale" in the consolidated statement of financial position.
- 3) This item is the sum of "inventories", "contract work in progress", "trade receivables" and "other receivables" under current assets, and of "trade payables", "other payables" and "provisions for risks and losses" under current liabilities in the consolidated statement of financial position.
- 4) This item is the sum of "financial receivables", "securities", "available-for-sale financial assets" and "cash and cash equivalents" under current assets, "bonds" and "other borrowings" under non-current liabilities, and "bank overdrafts", "bonds" and "other borrowings" under current liabilities in the consolidated statement of financial position.

## 2. Performance of the Group

**Consolidated revenues** for the first half of 2016 amounted to € 1,319.1 million compared to € 1,290.7 million in the same period of 2015, an increase of € 28.4 million (+2.2%). The revenues of Sogefi rose by 4.6% and those of KOS were 4.7% higher, while the revenues of Espresso fell by 4.2% due to the ongoing crisis that is affecting the entire publishing industry. Revenues generated outside Italy accounted for 56.9% of the total, thanks to the international development of Sogefi.

Consolidated revenues are broken down by business sector as follows:

	1st half 2016	%	1st half 2015	%	Absolute change	%
<b>Media</b>						
Espresso Group	292.9	22.2	305.7	23.7	(12.8)	(4.2)
<b>Automotive components</b>						
Sogefi Group	798.6	60.5	763.7	59.2	34.9	4.6
<b>Healthcare</b>						
KOS Group	227.6	17.3	217.3	16.8	10.3	4.7
<b>Other sectors</b>	--	--	4.0	0.3	(4.0)	
<b>Total consolidated revenues</b>	<b>1,319.1</b>	<b>100.0</b>	<b>1,290.7</b>	<b>100.0</b>	<b>28.4</b>	<b>2.2</b>
of which: ITALY	568.8	43.1	578.5	44.8	(9.7)	(1.7)
OTHER COUNTRIES	750.3	56.9	712.2	55.2	38.1	5.3

The **consolidated income statement** of the CIR Group is as follows:

(in millions of euro)	1st half 2016	%	1st half 2015	%
Revenues	1,319.1	100.0	1,290.7	100.0
<b>Consolidated EBITDA (1)</b>	<b>127.2</b>	<b>9.6</b>	<b>120.5</b>	<b>9.3</b>
<b>Consolidated operating income (EBIT)</b>	<b>68.4</b>	<b>5.2</b>	<b>69.2</b>	<b>5.4</b>
Financial management (2)	(10.7)	(0.8)	(5.1)	(0.4)
Income taxes	(16.9)	(1.3)	(16.5)	(1.3)
Income/(loss) from assets held for sale	1.0	0.1	9.2	0.7
<b>Net income including minority interests</b>	<b>41.8</b>	<b>3.2</b>	<b>56.8</b>	<b>4.4</b>
Minority interests	(15.9)	(1.2)	(20.4)	(1.6)
<b>Net result of the Group</b>	<b>25.9</b>	<b>2.0</b>	<b>36.4</b>	<b>2.8</b>

1) This is the sum of "earnings before interest and taxes (EBIT)" and "amortisation, depreciation and write-downs" in the consolidated income statement.

2) This is the sum of "financial income", "financial expense", "dividends", "gains from trading securities", "losses from trading securities" and "adjustments to the value of financial assets" in the consolidated income statement.

In the first half of 2016, **consolidated EBITDA** came to € 127.2 million (9.6% of revenues), compared with € 120.5 million (9.3% of revenues) in the first half of 2015, an increase of € 6.7 million (+5.6%). The increase was generated by Sogefi and KOS, while the EBITDA of Espresso fell slightly.

**Consolidated EBIT** for the first half of 2016 was € 68.4 million (5.2% of revenues), compared with € 69.2 million (5.4% of revenues) in the same period of 2015 (-1.2%); this reduction was due to an increase in the amortization, depreciation and writedowns charged by Sogefi.

Financial management generated a charge of € 10.7 million compared with a charge of € 5.1 million of the first half of 2015. In detail:

- net financial expense was € 24,4 million compared with € 22.9 million in the first half of 2015, which benefited from non-recurring income of € 1.5 million recognised by the Sogefi Group (on the fair value measurement of its bond);
- net income from securities and dividends amounted to € 12.9 million, down from € 21.5 million in the first six months of 2015, which included income from the partial disposal of the hedge fund and private equity portfolio;
- positive adjustments to financial assets of € 0.8 million have been recorded compared with write-downs of € 3.7 million in the first half of 2015.

The **condensed consolidated statement of financial position of the CIR Group** at 30 June 2016, with comparative figures at 31 December 2015, is as follows:

<i>(in millions of euro) (1)</i>	30.06.2016	31.12.2015
Fixed assets	1,795.4	1,814.1
Other net non-current assets and liabilities	(105.6)	(89.9)
Net working capital	5.0	(12.2)
<b>Net invested capital</b>	<b>1,694.8</b>	<b>1,712.0</b>
<b>Net financial debt</b>	<b>(218.2)</b>	<b>(121.7)</b>
<b>Total equity</b>	<b>1,476.6</b>	<b>1,590.3</b>
Equity of the Group	1,021.6	1,103.0
Minority interests	455.0	487.3

1) These figures are the result of a different aggregation of the items in the financial statements. For a definition, see the notes to the "Consolidated statement of financial position by business sector" shown earlier.

**Net invested capital** at 30 June 2016 stood at € 1,694.8 million versus € 1,712 million at 31 December 2015, a decrease of € 17.2 million.

The **consolidated net financial position** at 30 June 2016, as mentioned previously, showed net debt of € 218.8 million (compared with € 121.7 million at 31 December 2015) caused by:

- a financial surplus pertaining to CIR and its non-industrial subsidiaries of € 313.3 million, down compared with the 31 December 2015 figure of € 417.9 million. The reduction of € 104.6 million was principally due to an increase of € 19.4 million in dividends collected, as offset by the payment of about € 84.5 million to increase CIR's equity interest in KOS, the purchase of treasury shares for € 17.1 million and the distribution of dividends totalling € 29.5 million;
- by total debt of the industrial subsidiaries of € 531.5 million compared with € 539.6 million at 31 December 2015. The reduction of € 8.1 million was due to an improvement in the financial position of the Espresso Group (+ € 28.9 million), as offset by an increase in the indebtedness of the KOS Group by € 16.3 million and of the Sogefi Group by € 3.9 million.

**Total equity** at 30 June 2016 came to € 1,476.6 million compared with € 1,590.3 million at 31 December 2015, a decrease of € 113.7 million.

**Group equity** at 30 June 2016 amounted to € 1,021.6 million compared with € 1,103 million at 31 December 2015, a net decrease of € 81.4 million. The decrease, despite the very positive net result for the period, is due to the distribution of dividends of € 29.5 million, the purchase of own shares for € 17.1 million and the booking of a further participation in KOS acquired by Ardian based on its share of net equity and not based on the price paid, in application of IFRS 3.

**Minority interests** at 30 June 2016 amounted to € 455.0 million compared with € 487.3 million at 31 December 2015, a net reduction of € 32.3 million.

The notes to the financial statements explain how consolidated equity has evolved over time.

The **consolidated statement of cash flows** for the first half of 2016, prepared according to a "management" format which, unlike the version included in the financial statements, shows the changes in net financial position rather than the changes in cash and cash equivalents, can be summarised as follows:

<i>(in millions of euro)</i>	<i>1st half 2016</i>	<i>1st half 2015</i>
<b>SOURCES OF FUNDS</b>		
Result for the period including minority interests from continuing operations	40.8	47.6
Amortisation, depreciation, write-downs and other non-monetary changes	46.9	32.0
<b>Self-financing</b>	<b>87.7</b>	<b>79.6</b>
<b>Change in working capital</b>	<b>(2.1)</b>	<b>(23.7)</b>
<b>CASH FLOW GENERATED BY OPERATIONS FROM CONTINUING OPERATIONS</b>	<b>85.6</b>	<b>55.9</b>
Increases in capital	10.7	0.2
<b>TOTAL SOURCES OF FUNDS FROM CONTINUING OPERATIONS</b>	<b>96.3</b>	<b>56.1</b>
<b>APPLICATIONS OF FUNDS</b>		
Net investment in fixed assets	(38.0)	(69.6)
Price paid for business combinations	(0.1)	(51.1)
Net financial position of acquired companies	--	(20.4)
Purchase of minority interests	(84.5)	--
Buy-back of own shares	(17.2)	(28.2)
Payment of dividends	(47.6)	(6.9)
Other changes	(6.4)	14.2
<b>TOTAL APPLICATIONS OF FUNDS FROM CONTINUING OPERATIONS</b>	<b>(193.8)</b>	<b>(162.0)</b>
<b>FINANCIAL SURPLUS (DEFICIT) FROM CONTINUING OPERATIONS</b>	<b>(97.5)</b>	<b>(105.9)</b>
<b>CASH FLOW / NET FINANCIAL POSITION FROM DISCONTINUED OPERATIONS</b>	<b>1.0</b>	<b>9.2</b>
<b>FINANCIAL SURPLUS (DEFICIT)</b>	<b>(96.5)</b>	<b>(96.7)</b>
<b>NET FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD</b>	<b>(121.7)</b>	<b>(112.8)</b>
<b>NET FINANCIAL POSITION AT THE END OF THE PERIOD</b>	<b>(218.2)</b>	<b>(209.5)</b>

In the first half of 2016 the Group posted a financial deficit of € 96.5 million; against sources of funds for € 96.3 million, there were applications of € 193.8 million, consisting mainly of further investment in KOS for € 84.5 million, the payment of dividends for a total of € 47.6 million and the purchase of own shares for € 17.2 million. Net investments in fixed assets amounted to € 38 million, down from € 69.6 million in the first half 2015, and relate in particular to the Sogefi and KOS groups.

At 30 June 2016 the Group had 14,607 employees, compared with 14,213 at 31 December 2015.

### 3. Performance of the Parent Company

The parent company CIR SpA closed the first half of 2016 with net income of € 17.4 million compared with € 6.7 million in the first half of 2015.

The **condensed income statement** of CIR for the first half of 2016, compared with the first six months of 2015, is as follows:

<i>(in millions of euro)</i>	<i>1st half 2016</i>	<i>1st half 2015</i>
Net operating costs (1)	(8.0)	(4.4)
Other operating costs, amortisation and depreciation (2)	(1.3)	(1.0)
<b>EBIT</b>	<b>(9.3)</b>	<b>(5.4)</b>
Financial management (3)	23.4	11.0
<b>Result before taxes</b>	<b>14.1</b>	<b>5.6</b>
Income taxes	3.3	1.1
<b>Net result</b>	<b>17.4</b>	<b>6.7</b>

1) This item is the sum of "sundry revenues and income", "cost for services" and "personnel costs" in the income statement of CIR S.p.A..

2) This item is the sum of "other operating costs" and "amortisation, depreciation and write-downs" in the income statement of CIR S.p.A.

3) This item is the sum of "financial income", "financial expense", "dividends", "gains from trading securities", "losses from trading securities" and "adjustments to the value of financial assets" in the income statement of CIR S.p.A..

EBIT for the first half of 2016 was a loss of € 9.3 million compared with an operating loss of € 5.4 million in the first six months of 2015. This change reflects the cost of the legal and financial advice obtained during the first half of 2016 as part of the special transactions carried out by the parent company.

Income from financial management amounted to € 23.4 million, compared with € 11 million in the first six months of 2015. This result comprises net financial income of € 0.9 million (€ 2.2 million in the first half of 2015) and dividends of € 22.5 million (€ 9.9 million in the first half of 2015). Financial assets were written down by € 1.1 million in the first half of last year.

The **condensed statement of financial position** of CIR at 30 June 2016, with comparative figures as at 31 December 2015, is as follows:

<i>(in millions of euro)</i>		30.06.2016	31.12.2015
Fixed assets	(1)	847.3	913.0
Other net non-current assets and liabilities	(2)	138.5	85.7
Net working capital	(3)	(15.8)	(12.9)
<b>Net invested capital</b>		<b>970.0</b>	<b>985.8</b>
<b>Net financial position</b>	(4)	<b>10.0</b>	<b>22.4</b>
<b>Equity</b>		<b>980.0</b>	<b>1,008.2</b>

1) This item is the sum of "intangible assets", "tangible assets", "investment property" and "equity investments" in the statement of financial position of CIR S.p.A., the Parent Company.

2) This item is the sum of "other receivables" and "deferred taxes" in the non-current assets and "personnel provisions" in the non-current liabilities of the statement of financial position of CIR S.p.A.

3) This item is the sum of "other receivables" in current assets and "other payables" and "provisions for risks and losses" in current liabilities in the statement of financial position of CIR S.p.A.

4) This item is the sum of "financial receivables", "securities", "available-for-sale financial assets" and "cash and cash equivalents" in the current assets, "bonds" in non-current liabilities and "borrowings" in current liabilities in the statement of financial position of CIR S.p.A.

La net financial position at 30 June 2016 reflects liquidity of € 10.0 million; note that a significant part of CIR's liquidity is held by CIR Investimenti and CIR International, which are both wholly-owned non-industrial subsidiaries. Overall, the net liquidity of CIR and its non-industrial subsidiaries amounts to € 313.3 million at 30 June 2016.

Shareholders' equity has decreased from € 1,008.2 million at 31 December 2015 to € 980 million at 30 June 2016, due to the distribution of dividends totalling € 29.5 million and the purchase of treasury shares for € 17.1 million.

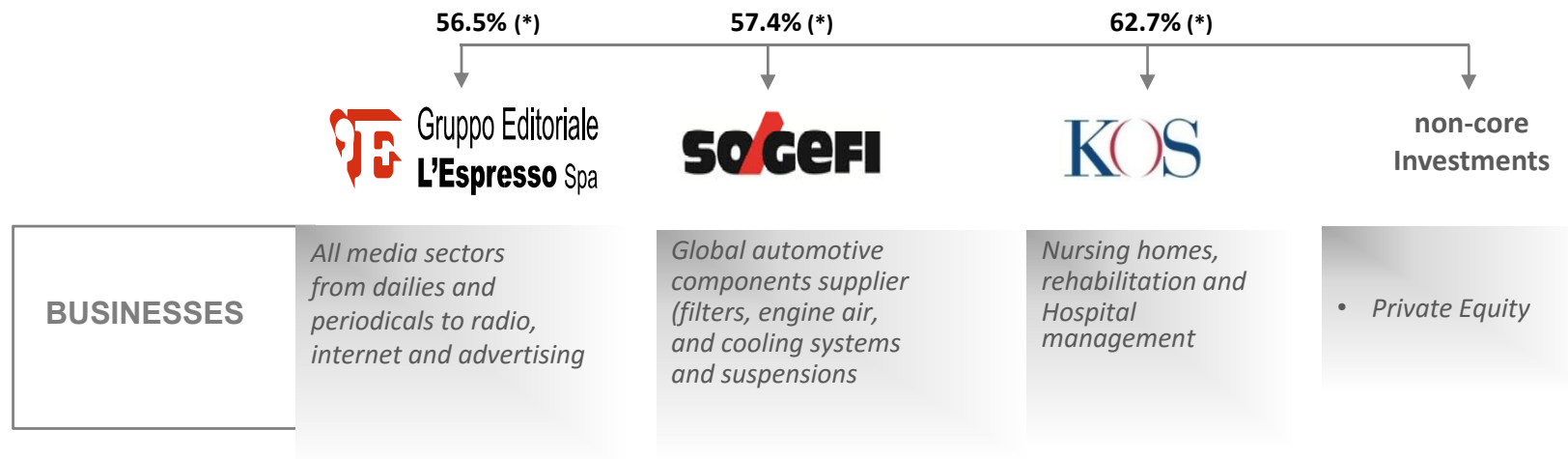
At 30 June 2016, the Company held 126,126,637 treasury shares (15.88% of the share capital) for a value of € 180.2 million, compared with 108,421,938 treasury shares (13.65% of the share capital) at 31 December 2015 for a value of € 163.3 million. The net increase of 17,704,699 shares was caused by the purchase of 17,849,547 shares less the exercise of stock grants for 144,848 shares.

## 4. Reconciliation of the Parent Company's financial statements with the consolidated financial statements

The following is a reconciliation between the net result and equity of the Group with the parent company's figures.

<i>(in thousands of euro)</i>	<i>Net equity 30.06.2016</i>	<i>Net result 1st half 2016</i>	<i>Net equity 30.06.2015</i>	<i>Net result 1st half 2015</i>
Financial statements of CIR S.p.A. (parent company)	980,009	17,394	1,047,782	6,716
Dividends from consolidated companies	(20,721)	(20,721)	(9,703)	(9,703)
Net contribution of consolidated companies	175,623	29,210	134,232	38,223
Difference between the carrying values of investee companies and the portions of their equity included in the consolidation, net of their contributions	(113,301)	--	(50,207)	--
Other consolidation adjustments	--	--	1,166	1,166
Consolidated financial statements (Group share)	1,021,610	25,883	1,123,270	36,402

Main Group investments  
at 30 June 2016



(\*) the percentage is calculated net of treasury shares



## 5. Performance of the business sectors

### ► MEDIA

The Espresso Group reported **consolidated revenues** of € 292.9 million in the first half of 2016, down by 4.2% from € 305.7 million in the first half of 2015. The downward trend has moderated with respect to the performance achieved in prior years.

Group revenues are as follows:

(in millions of euro)	1st half 2016		1st half 2015		Change
	Amounts	%	Amounts	%	%
Circulation and other	122.2	41.7	128.2	41.9	(4.7)
Advertising	170.7	58.3	177.5	58.1	(3.8)
<b>TOTAL</b>	<b>292.9</b>	<b>100.0</b>	<b>305.7</b>	<b>100.0</b>	<b>(4.2)</b>

According to figures published by Nielsen Media Research, advertising expenditure in first five months of 2016 was 2.7% higher than in the same period of 2015.

This recovery has benefited television and radio, with growth of 6.1% and 2.0% respectively.

After a good first quarter, Internet contracted during April and May, resulting in an overall 1.9% decline in advertising income during the period January-May 2016, compared with the same period last year.

Lastly, press advertising contracted further (-4.3%), showing little sign of improvement with respect to the comparative period of 2015 (-5.0%): in particular, national advertising declined by 3.6% while local advertising was 5.4% lower.

According to ADS (Accertamento Diffusione Stampa), newsstand and subscription sales were 7.7% lower in the period from January to May 2016.

Circulation revenues (including other revenues) amounted to € 122.2 million, a decrease of 4.7% on the same period last year (€ 128.2 million), in a market that is continuing to see a significant reduction in the sales of daily newspapers.

Advertising revenues declined by 3.8%, which was broadly consistent with the general trend in press advertising. Radio advertising was essentially in line with the corresponding period last year, while press and the Internet suffered from the adverse market conditions.

Costs decreased by 3.2%; in particular, both industrial costs and payroll costs were lower, partly due to the 4.4% reduction in average employment compared with the first half of 2015.

**EBITDA** amounted to € 27.3 million compared with € 31 million in the first half of 2015.

**EBIT** came to € 19.9 million versus € 23.6 million in the same period last year.

**Consolidated net income** from continuing operations amounted to € 11.2 million, compared with € 12.9 million in the first half of 2015. The sale of *All Music* to *Discovery Italia* at the end of January 2015 resulted in the recognition of a profit on the disposal of discontinued operations of € 9.3 million in the first half of 2015 and € 1.0 million in the first half of 2016. Consolidated net income, including that from discontinued operations, amounted to € 12.1 million, compared with € 22.1 million in the first half of 2015.

Net liquidity at 30 June 2016 amounts to € 18.2 million, following a substantial net cash inflow during the period of € 28.9 million. Compared with 30 June 2015, the net financial position has improved by € 23.2 million.

The Group had 2,211 employees at 30 June, including those on fixed-term contracts, and the average workforce for the period was 4.4% lower than in the first half of 2015.

On 2 March 2016, CIR signed a memorandum of understanding with Gruppo Editoriale L'Espresso, ITEDI (the company that publishes La Stampa and Il Secolo XIX) and the shareholders of the latter (FCA and Ital Press Holding S.p.A., owned by the Perrone family) with a view to creating Italy's foremost publishing group and one of the principal groups in Europe in the field of daily and digital news. This operation has considerable industrial value, since it seeks to merge two groups with complementary activities and achieve increasing economies of scale. Following completion, CIR will remain the controlling shareholders, with an interest in Gruppo Editoriale L'Espresso of more than 40%. The resulting company will remain listed on the Italian stock exchange. The titles will also retain full editorial independence. Subject to authorisation from the competent authorities and the respective shareholders' meetings, the operation is scheduled for completion during the first quarter of 2017.

In terms of the outlook for the full year, the development of the advertising market during the second half remains uncertain but the group is expected to generate net income, excluding non-recurring items, in line with that of the previous year.

## ► AUTOMOTIVE COMPONENTS

The Sogefi Group reported **consolidated revenues** of € 798.6 million in the first half of 2016, up by 4.6% from € 763.7 million in the corresponding period of 2015.

Group revenues were as follows:

<i>(in millions of euro)</i>	<i>1st half 2016</i>		<i>1st half 2015</i>		<i>Change</i>
	<i>Amounts</i>	<i>%</i>	<i>Amounts</i>	<i>%</i>	
Suspensions	289.5	36.3	287.1	37.6	0.8
Filtration	270.7	33.9	274.0	35.9	(1.2)
Air and Cooling	240.4	30.1	204.7	26.8	17.4
Other	(2.0)	(0.3)	(2.1)	(0.3)	n.a.
<b>TOTAL</b>	<b>798.6</b>	<b>100.0</b>	<b>763.7</b>	<b>100.0</b>	<b>4.6</b>

The automobile market again performed well during the first half of 2016. Worldwide production of personal cars increased by 2%, while the output of heavy-duty vehicles rose by 4.0%. Activity was sustained by the EU market (+7% for personal cars), by China (+6%) and by the NAFTA countries (+3%). This contrasts with the crisis in the Mercosur countries, where the production of personal cars was 22% lower than in the first half of 2015.

Turning to Sogefi, European revenues were 1.8% higher than in the first half of 2015 and there was further significant growth in North America (+24.6%) and Asia (+25.4%). Revenues in South America fell by 18.3% in Euro terms, due to depreciation of the local currencies and the ongoing market crisis. Excluding South America, growth of 7.6% was achieved.

The incidence of non-European countries on total group revenues has risen to 36.5%, from 34.7% in the first half of 2015, due to the strong growth of the North American and Asian markets.

In particular, the weighting of NAFTA and Asia has risen to 26.9%, from 22.4% in the first half of 2015, while that of Mercosur has fallen from 11.8% to 9.2%.

The rise in revenues during the first half of 2016 was supported, in particular, by the *Air and Cooling* segment, which achieved growth of 17.4%. The revenues of the *Suspensions* segment rose by 0.8%, or by 4.7% if Mercosur is excluded. The revenues of the *Filtration* segment were 1.2% lower, but 3.2% higher excluding Mercosur.

**EBITDA** amounted to € 74.7 million, up by 19.6% from € 62.4 million in the corresponding period of 2015. This increase reflects the rise in revenues and an improvement in profitability to 9.3%, from 8.2% in the first half of 2015, due to a slight increase in the profit margin and a slight reduction in the incidence of indirect costs. In particular, the incidence of total payroll costs to revenues has fallen to 21.7%, from 22.6% previously. EBITDA has risen in all geographical areas, except for South America.

With regard to the risks for claims against Systèmes Moteurs S.A.S., there were no changes in “product warranty” risks during the first half of 2016 that would require adjustment of the provision recorded at 31 December 2015. The arbitration procedure involving Dayco, the seller of Systèmes Moteurs S.A.S., concluded in May. That company was required to pay Sogefi € 9.4 million for the claims already settled. The decision however reduced Sogefi's forecast recoveries by € 4 million and the adverse impact of this was recognised in the first half of 2016.

**EBIT** amounted to € 36.6 million, up by 20.1% compared with the first half of 2015, even after additional amortization, depreciation and writedowns of fixed assets.

**Financial expense** rose to € 16.8 million, from € 14.7 million in the corresponding period of 2015; this increase was mainly due to the absence of income recognised in the first half of 2015 to reflect the fair value of the implicit derivative associated with the convertible bond.

**Net income** of € 8.3 million was down slightly from € 9.7 million in the first half of 2015, due to an increased tax charge.

**Net financial debt** of € 326.2 million at 30 June 2016, in line with the situation at 31 December 2015 (€ 322.3 million), was € 21.8 million better than at 30 June 2015 (€ 348 million). The free cash flow generated during the first half of 2016 was € -0.2 million, compared with € -51.9 million in the first half of 2015. This improvement reflects a reduction of about € 19 million in non-recurring payments for product warranty claims and restructuring work, as well as the improvement in operating cash flow and the increased recourse made to factoring.

Shareholders' equity at 30 June 2016, excluding the minority interest, amounts to € 168.2 million (€ 170.8 million at 31 December 2015).

The Sogefi Group has 6,795 employees at 30 June 2016 compared with 6,702 at 31 December 2015.

For the full year, Sogefi expects North America, China and India to make positive contributions. Consistent with conditions during the first half, European growth may be slower than in 2015 and market performance will remain troubled in South America.

## ► HEALTHCARE

The KOS Group currently manages 76 facilities, mainly in central and northern Italy, for a total of around 7,200 beds, operating in three strategic areas:

- 1) *Care homes*: management of residential care homes for the elderly and psychiatric care communities, with 45 nursing facilities and 9 psychiatric rehabilitation facilities, for a total of 5,213 beds in use (of which 5,017 in care homes);
- 2) *Rehabilitation*: management of hospitals and rehabilitation centres, including 21 rehabilitation facilities (with three care homes for the elderly) and 14 hospitals, for a total of 1,878 beds;
- 3) *Hospital management*: contract management of high-tech diagnostic and radiotherapy services and concession management of the Suzzara hospital.

In the first six months of 2016, the KOS Group achieved a **consolidated turnover** of € 227.6 million, up 4.7% from € 217.3 million in the same period last year. The increase in revenues was driven by care homes for the elderly (+9.9%).

Group revenues are as follows:

<i>(in millions of euro)</i>	<i>1st half 2016</i>		<i>1st half 2015</i>		<i>Change</i>
	<i>Amounts</i>	<i>%</i>	<i>Amounts</i>	<i>%</i>	
Care homes	100.2	44.0	91.2	42.0	9.9
Rehabilitation	87.9	38.6	85.8	39.5	2.4
Acute/Hi-tech	39.5	17.4	40.3	18.5	(1.7)
<b>TOTAL</b>	<b>227.6</b>	<b>100.0</b>	<b>217.3</b>	<b>100.0</b>	<b>4.7</b>

Consolidated **EBITDA** amounted to € 37.1 million, 8.8% up on € 34.1 million in the first six months of 2015.

**Consolidated EBIT** came to € 22.4 million, compared with € 21.3 million in the same period last year.

Consolidated **net income** amounted to € 9.6 million compared with € 7.6 million in the first six months of 2015.

At 30 June 2016 the KOS Group had **net debt** of € 226.3 million, compared with € 210 million at 31 December 2015. The increase was mainly due to the distribution of dividends during the period.

On 17 May 2016, CIR and F2i Healthcare, a subsidiary of Secondo Fondo F2i, completed the purchase of 46.7% of KOS from Ardian for € 292 million.

The group has 5,462 employees at 30 June 2016 compared with 5,194 at 31 December 2015.

As for the outlook, note that growing demands for cuts in public spending, already partly introduced in certain regions where the Group operates, may reduce the resources allocated to public and private health spending; the impact on the KOS Group is not expected to be significant.

## 6. Non-core investments

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They are represented by private equity fund investments, minority interests and other investments amounting to € 111.8 million at 30 June 2016, compared with € 113.7 million at 31 December 2015.

### ► PRIVATE EQUITY

CIR International, a Group company, manages a diversified portfolio of investments in private equity funds. The overall fair value of the portfolio at 30 June 2016, based on the NAVs provided by the various funds, came to € 55.3 million, a decrease of € 4.0 million compared with 31 December 2015, primarily due to the effect of write-downs, capital repayments, and exchange rate differences (that impact equity). Total distributions in the period, amounting to € 5.8 million, generated a capital gain of € 4.2 million. Outstanding commitments at 30 June 2016 amounted to € 4.9 million.

### ► OTHER INVESTMENTS

At 30 June 2016, CIR had direct and indirect investments in non-strategic investments for a total of € 15.5 million and a portfolio of non-performing loans for a total of € 41 million. In the first half of 2016, CIR International sold an investment in China of approximately € 5.5 million that produced a gain on sale of € 6.5 million.

## 7. Significant events subsequent to 30 June 2016

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In the Healthcare sector, during the month of July, a deed of sale was signed for the business carried on in Via Barbarano, Rome, to Istituto di Riabilitazione S. Stefano S.r.l. relating to the management of a total of 118 beds, as part of a competitive procedure before the Court of Turin. The transaction is subject to the condition precedent of obtaining the necessary re-registrations from the Lazio Regional Authorities.

We would also point out that on 8 July 2016, Sogefi S.p.A. received € 4.9 million from Dayco Europe S.r.l. as part of the indemnity of € 9.4 million awarded by the arbitration.

## 8. Outlook for operations

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The performance of the CIR Group during the second half of the year will be influenced by developments in the Italian economy, the impact of which is significant, especially in the media sector, as well as by the performance of major global automotive markets for the components sector.

## 9. Principal risks and uncertainties of the Group

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The main risk factors to which the CIR Group is exposed are substantially the same as those that featured in 2015.

For a detailed description of these risks, please refer to the information contained in the Section 8 of the Report of the Board of Directors which forms part of the financial statements at 31 December 2015.

For the risks related to specific situations, please refer to the information in section 6 "performance of the business sectors" of this Report and in the notes to the consolidated financial statements at 30 June 2016.

## 10. Other information

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### TRANSACTIONS WITH GROUP COMPANIES AND RELATED PARTIES

On 28 October 2010 the Company adopted the Regulations on Related Party Transactions envisaged in Consob Resolution no. 17221 of 12 March 2010, as amended by Resolution no. 17389 of 23 June 2010. This procedure can be found in the Governance section of the Company's website ([www.cirgroup.it](http://www.cirgroup.it)).

The procedure lays down principles of conduct that the Company is required to adopt to ensure that related party transactions are handled properly. This means that it:

1. lays down the criteria and methods of identifying the Company's related parties;
2. establishes principles for identifying related party transactions;
3. governs the procedures for carrying out related party transactions;
4. establishes ways to ensure compliance with the related disclosure requirements.

The Board of Directors has also appointed a Related Party Transactions Committee, establishing that its members coincide with those of the Internal Control Committee, except for the system of substitutes envisaged in the procedures.

CIR S.p.A. provided management and strategic support services to its subsidiaries and associates during the half-year, which involved administrative and financial services, the purchase and sale of financial assets and providing guarantees, among other things.

Transactions with the parent company consisted of providing administrative and financial services and receiving operational support and communication services. The main concern of CIR and its counterparties in relation to these services is to ensure quality and a high level of efficiency of the services rendered, which derive from CIR's specific knowledge of the Group's business activities.

Note that CIR S.p.A. has signed lease contracts with subsidiaries and executives with strategic responsibilities within the Group.

The Group's related party transactions are settled at arm's length, taking into consideration the quality and the specific nature of the services provided.

See note 27 "Related party transactions" for further details.

As regards the main transactions in equity investments, see the appropriate sections of the notes.

The CIR Group did not carry out any transactions with related parties, as defined by Consob, or with entities other than related parties that could be considered transactions of an atypical or unusual nature, outwith normal business administration or such as to have a significant impact on the Group's results, assets and liabilities or financial situation.

## **OTHER**

CIR S.p.A. – Compagnie Industriali Riunite has its registered office in Via Ciovassino 1, Milan, Italy.

CIR shares have been listed on the Milan Stock Exchange since 1973 (Reuters code: CIRX.MI, Bloomberg code: CIR IM).

This report for the period 1 January - 30 June 2016 was approved by the Board of Directors on 29 July 2016.

CIR S.p.A. is subject to management and coordination by COFIDE – Gruppo De Benedetti S.p.A..

**CIR GROUP**

**CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2016**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EXPLANATORY NOTES



# 1. Consolidated statement of financial position

(in thousands of euro)

ASSETS	Notes	30.06.2016	31.12.2015
<b>NON-CURRENT ASSETS</b>		<b>2,049,800</b>	<b>2,071,525</b>
INTANGIBLE ASSETS	(7.a.)	992,611	997,652
TANGIBLE ASSETS	(7.b.)	646,715	658,737
INVESTMENT PROPERTY	(7.c.)	19,822	20,064
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	(7.d.)	130,873	131,833
OTHER INVESTMENTS	(7.e.)	5,443	5,830
OTHER RECEIVABLES	(7.f.)	84,082	86,957
<i>of which from related parties (*)</i>	(7.f.)	2,693	2,693
SECURITIES	(7.g.)	66,026	65,705
DEFERRED TAXES	(7.h.)	104,228	104,747
<b>CURRENT ASSETS</b>		<b>1,333,449</b>	<b>1,400,094</b>
INVENTORIES	(8.a.)	135,058	134,055
CONTRACT WORK IN PROGRESS		39,201	39,178
TRADE RECEIVABLES	(8.b.)	449,403	415,937
<i>of which from related parties (*)</i>	(8.b.)	1,406	2,259
OTHER RECEIVABLES	(8.c.)	112,908	97,363
<i>of which from related parties (*)</i>	(8.c.)	569	655
FINANCIAL RECEIVABLES	(8.d.)	28,289	30,496
SECURITIES	(8.e.)	64,546	121,006
AVAILABLE-FOR-SALE FINANCIAL ASSETS	(8.f.)	235,398	251,510
CASH AND CASH EQUIVALENTS	(8.g.)	268,646	310,549
ASSETS HELD FOR SALE	(8.h.)	11,582	9,005
ELIMINATIONS FROM AND TO DISCONTINUED OPERATIONS		--	--
<b>TOTAL ASSETS</b>		<b>3,394,831</b>	<b>3,480,624</b>
<b>LIABILITIES AND EQUITY</b>	<b>Note</b>	<b>30.06.2016</b>	<b>31.12.2015</b>
<b>EQUITY</b>		<b>1,476,623</b>	<b>1,590,294</b>
SHARE CAPITAL ISSUED		397,146	397,146
less TREASURY SHARES		(63,063)	(54,211)
SHARE CAPITAL	(9.a.)	334,083	342,935
RESERVES	(9.b.)	285,874	340,336
RETAINED EARNINGS (LOSSES)	(9.c.)	375,770	377,663
NET INCOME FOR THE PERIOD		25,883	42,014
<b>GROUP EQUITY</b>		<b>1,021,610</b>	<b>1,102,948</b>
MINORITY INTERESTS		455,013	487,346
<b>NON-CURRENT LIABILITIES</b>		<b>940,409</b>	<b>1,010,070</b>
BONDS	(10.a.)	275,232	288,366
OTHER BORROWINGS	(10.b.)	303,024	372,076
OTHER PAYABLES		11,988	9,286
DEFERRED TAXES	(7.h.)	139,475	134,881
PERSONNEL PROVISIONS	(10.c.)	131,621	124,478
PROVISIONS FOR RISKS AND LOSSES	(10.d.)	79,069	80,983
<b>CURRENT LIABILITIES</b>		<b>968,417</b>	<b>873,598</b>
BANK OVERDRAFTS		22,384	19,517
BONDS	(11.a.)	19,990	5,011
OTHER BORROWINGS	(11.b.)	194,487	150,316
<i>of which to related parties (*)</i>	(11.b.)	--	--
TRADE PAYABLES	(11.c.)	446,227	427,418
<i>of which to related parties (*)</i>	(11.c.)	2,067	2,251
OTHER PAYABLES	(11.d.)	218,637	199,569
<i>of which to related parties (*)</i>	(11.d.)	--	--
PROVISIONS FOR RISKS AND LOSSES	(10.d.)	66,692	71,767
LIABILITIES HELD FOR SALE	(8.h.)	9,382	6,662
ELIMINATIONS FROM AND TO DISCONTINUED OPERATIONS		--	--
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,394,831</b>	<b>3,480,624</b>

(\*) As per Consob Resolution no. 6064293 of 28 July 2006

## 2. Consolidated income statement

(in thousands of euro)

	Notes	1st half 2016	1st half 2015(**)
SALES REVENUES	(12)	1,319,146	1,290,737
of which from related parties (*)	(12)	--	--
CHANGE IN INVENTORIES		1,325	10,670
COSTS FOR THE PURCHASE OF GOODS	(13.a.)	(498,039)	(483,935)
of which to related parties (*)	(13.a.)	--	--
COSTS FOR SERVICES	(13.b.)	(307,473)	(311,972)
of which to related parties (*)	(13.b.)	(2,703)	(1,112)
PERSONNEL COSTS	(13.c.)	(363,941)	(361,930)
OTHER OPERATING INCOME	(13.d.)	11,868	34,723
of which from related parties (*)	(13.d.)	853	957
OTHER OPERATING COSTS	(13.e.)	(37,894)	(59,894)
of which to related parties (*)	(13.e.)	--	--
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY	(7.d.)	2,186	2,157
AMORTISATION, DEPRECIATION & WRITE-DOWNS		(58,756)	(51,330)
<b>EARNINGS BEFORE INTEREST AND TAXES (EBIT)</b>		<b>68,422</b>	<b>69,226</b>
FINANCIAL INCOME	(14.a.)	5,934	8,640
of which from related parties (*)	(14.a.)	19	364
FINANCIAL EXPENSE	(14.b.)	(30,398)	(31,523)
of which to related parties (*)	(14.b.)	--	--
DIVIDENDS		7,953	246
of which with related parties (*)		--	--
GAINS FROM TRADING SECURITIES	(14.c.)	5,509	23,431
LOSSES FROM TRADING SECURITIES	(14.d.)	(538)	(2,147)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		845	(3,720)
<b>INCOME BEFORE TAXES</b>		<b>57,727</b>	<b>64,153</b>
INCOME TAXES	(15)	(16,912)	(16,561)
<b>INCOME (LOSS) AFTER TAXES FROM OPERATING ACTIVITY</b>		<b>40,815</b>	<b>47,592</b>
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL		1,000	9,251
<b>NET INCOME (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS</b>		<b>41,815</b>	<b>56,843</b>
- (NET INCOME) LOSS OF MINORITY INTERESTS		(15,932)	(20,441)
<b>- NET INCOME OF THE GROUP</b>		<b>25,883</b>	<b>36,402</b>
<b>BASIC EARNINGS (LOSS) PER SHARE (in euro)</b>	(16)	0.0383	0.0501
<b>DILUTED EARNINGS (LOSS) PER SHARE (in euro)</b>	(16)	0.0382	0.0501

(\*) As per Consob Resolution no. 6064293 of 28 July 2006

(\*\*) Some values of 2015 have been reclassified

### 3. Consolidated statement of comprehensive income

(in thousands of euro)

	1st half 2016	1st half 2015(*)
<b>Income/(Loss) for the period of continuing operations</b>	40,815	47,592
<b>Items of other comprehensive income that cannot be reclassified to profit and loss</b>		
Actuarial gains (losses)	(13,211)	(1,522)
Taxes on other comprehensive income that cannot be reclassified to profit and loss	2,510	305
<b>Other items of comprehensive income that can be reclassified to profit and loss</b>		
Exchange differences on translation of foreign operations	(3,958)	8,111
Net change in fair value of available-for-sale financial assets	(3,889)	(6,602)
Net change in cash flow hedge reserve	2,392	4,174
Items of other comprehensive income	158	--
Taxes on items of other comprehensive income that can be reclassified to profit and loss	(605)	(1,149)
<b>Total items of other comprehensive income of the period of continuing operations</b>	<b>(16,603)</b>	<b>3,317</b>
<b>Items of statement of comprehensive income - discontinued operations</b>	<b>1,000</b>	<b>23,607</b>
<b>TOTAL STATEMENT OF COMPREHENSIVE INCOME OF THE PERIOD</b>	<b>25,212</b>	<b>74,516</b>
<b>Total comprehensive income attributable to:</b>		
Shareholders of the parent company	14,508	46,223
Minority interests	10,704	28,293
<b>BASIC COMPREHENSIVE EARNINGS PER SHARE (in euro)</b>	0.0215	0.0637
<b>DILUTED COMPREHENSIVE EARNINGS PER SHARE (in euro)</b>	0.0214	0.0636

(\*) Some values of 2015 have been reclassified

## 4. Consolidated statement of cash flows

(in thousands of euro)

	1st half 2016	1st half 2015 (*)
<b>OPERATING ACTIVITY</b>		
NET INCOME (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS - CONTINUING OPERATIONS	40,815	47,592
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & WRITE-DOWNS	58,756	51,330
SHARE OF RESULTS OF COMPANIES CONSOLIDATED AT EQUITY	(2,186)	(2,157)
ACTUARIAL VALUATION OF STOCK OPTION/STOCK GRANT PLANS	2,405	2,268
CHANGES IN PERSONNEL PROVISIONS, PROV. FOR RISKS & LOSSES	(13,057)	(21,382)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(845)	3,720
INCREASE (DECREASE) IN NON-CURRENT RECEIVABLES/PAYABLES	11,097	19,380
(INCREASE) DECREASE IN NET WORKING CAPITAL	(13,260)	(43,114)
<b>CASH FLOW FROM OPERATING ACTIVITY - CONTINUING OPERATIONS</b>	<b>83,725</b>	<b>57,637</b>
of which:		
- interest received (paid)	(19,335)	(17,408)
- income tax payments	(3,740)	(12,279)
<b>INVESTING ACTIVITY</b>		
PRICE PAID FOR BUSINESS COMBINATIONS	(100)	(51,139)
NET FINANCIAL POSITION OF ACQUIRED COMPANIES	--	(20,405)
PURCHASE OF MINORITY INTERESTS	(84,457)	--
(PURCHASE) SALE OF SECURITIES	74,438	4,503
PURCHASE OF FIXED ASSETS	(38,060)	(70,320)
<b>CASH FLOW FROM INVESTING ACTIVITY - CONTINUING OPERATIONS</b>	<b>(48,179)</b>	<b>(137,361)</b>
<b>FINANCING ACTIVITY</b>		
INFLOWS FOR CAPITAL INCREASES	10,696	206
OTHER CHANGES IN EQUITY	(6,409)	14,234
DRAWDOWN/(REPAYMENT) OF OTHER BORROWINGS/FINANCIAL RECEIVABLES	(20,829)	(1,452)
BUY-BACK OF OWN SHARES	(17,164)	(28,226)
DIVIDENDS PAID	(47,610)	(6,908)
<b>CASH FLOW FROM FINANCING ACTIVITY - CONTINUING OPERATIONS</b>	<b>(81,316)</b>	<b>(22,146)</b>
<b>INCREASE (DECREASE) IN NET CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS</b>	<b>(45,770)</b>	<b>(101,870)</b>
<b>NET CASH AND CASH EQUIVALENTS - OPENING BALANCE - OF DISCONTINUED OPERATIONS</b>	<b>1,000</b>	<b>9,251</b>
<b>NET CASH AND CASH EQUIVALENTS - OPENING BALANCE</b>	<b>291,032</b>	<b>331,513</b>
<b>NET CASH AND CASH EQUIVALENTS - CLOSING BALANCE</b>	<b>246,262</b>	<b>238,894</b>

## 5. Consolidated statement of changes in equity

	Attributable to shareholders of the parent company								
	Share capital issued	Less treasury shares	Share capital	Reserves	Retained earnings (losses)	Net income (Loss) of the period	Total	Minority interests	Total
(in thousands of euro)									
BALANCE AT 31 DECEMBER 2014	397,146	(27,283)	369,863	307,108	450,886	(23,399)	1,104,458	468,741	1,573,199
Increases in capital	--	--	--	--	--	--	--	289	289
Dividends to Shareholders	--	--	--	--	--	--	--	(8,001)	(8,001)
Retained earnings	--	--	--	--	(23,399)	23,399	--	--	--
Unclaimed dividends as per Art. 23 of the Articles of Association	--	--	--	--	--	--	--	--	--
Adjustment for treasury share transactions	--	(26,928)	(26,928)	27,422	(53,811)	--	(53,317)	--	(53,317)
Movements between reserves	--	--	--	(3,987)	3,987	--	--	--	--
Notional cost of stock options and stock grants credited	--	--	--	1,789	--	--	1,789	--	1,789
Effects of equity changes in subsidiaries	--	--	--	282	--	--	282	(3,835)	(3,553)
Comprehensive result for the year									
Fair value measurement of hedging instruments	--	--	--	11,384	--	--	11,384	6,554	17,938
Fair value measurement of securities	--	--	--	596	--	--	596	(41)	555
Securities fair value reserve released to income statement	--	--	--	(14,212)	--	--	(14,212)	(332)	(14,544)
Effects of equity changes in subsidiaries	--	--	--	143	--	--	143	136	279
Currency translation differences	--	--	--	4,004	--	--	4,004	(3,888)	116
Actuarial gains (losses)	--	--	--	5,807	--	--	5,807	4,463	10,270
Result for the period	--	--	--	--	--	42,014	42,014	23,260	65,274
Total comprehensive result for the period	--	--	--	7,722	--	42,014	49,736	30,152	79,888
BALANCE AT 31 DECEMBER 2015	397,146	(54,211)	342,935	340,336	377,663	42,014	1,102,948	487,346	1,590,294
Increases in capital	--	--	--	--	--	--	--	10,696	10,696
Dividends to Shareholders	--	--	--	--	(29,464)	--	(29,464)	(18,146)	(47,610)
Retained earnings	--	--	--	--	42,014	(42,014)	--	--	--
Unclaimed dividends as per Art. 23 of the Articles of Association	--	--	--	--	--	--	--	--	--
Adjustment for treasury share transactions	--	(8,852)	(8,852)	9,059	(17,318)	--	(17,111)	--	(17,111)
Movements between reserves	--	--	--	(2,875)	2,875	--	--	--	--
Notional cost of stock options and stock grants credited	--	--	--	1,038	--	--	1,038	--	1,038
Effects of equity changes in subsidiaries	--	--	--	(50,309)	--	--	(50,309)	(35,587)	(85,896)
Comprehensive result for the year									
Fair value measurement of hedging instruments	--	--	--	1,028	--	--	1,028	791	1,819
Fair value measurement of securities	--	--	--	(3,384)	--	--	(3,384)	--	(3,384)
Securities fair value reserve released to income statement	--	--	--	(537)	--	--	(537)	--	(537)
Effects of equity changes in subsidiaries	--	--	--	99	--	--	99	59	158
Currency translation differences	--	--	--	(2,440)	--	--	(2,440)	(1,518)	(3,958)
Actuarial gains (losses)	--	--	--	(6,141)	--	--	(6,141)	(4,560)	(10,701)
Result for the period	--	--	--	--	--	25,883	25,883	15,932	41,815
Total comprehensive result for the period	--	--	--	(11,375)	--	25,883	14,508	10,704	25,212
BALANCE AT 30 JUNE 2016	397,146	(63,063)	334,083	285,874	375,770	25,883	1,021,610	455,013	1,476,623

## 6. Explanatory notes

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### 1. Structure of the financial statements

These condensed interim consolidated financial statements have been prepared in accordance with international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board ("IASB") and with the related interpretation of the International Financial Reporting Interpretations Committee (IFRIC) and ratified by the European Union in force at 30 June 2016. Please refer to the section entitled "Adoption of new accounting standards, interpretations and amendments" for an illustration of the new standards into force with effect from 1 January 2016. In particular, note that the adoption of the new standards had no impact on the Group's equity and income statement.

These interim financial statements have been prepared on a condensed basis in accordance with IAS 34 "Interim Financial Reporting". Being condensed, they do not include all of the information required for annual reports and should be read in conjunction with the financial statements for the year ended 31 December 2015.

The interim consolidated financial statements at 30 June 2016 include the parent company CIR S.p.A. (hereinafter "CIR") and its subsidiaries, and were prepared using the accounts of the individual companies included in the scope of consolidation; these correspond to their separate interim financial statements or the consolidated statements of sub-groups, examined and approved by their respective boards and amended and re-stated where necessary to bring them into line with the accounting principles listed below and, where compatible, with Italian regulations.

The classification formats adopted are as follows:

- the statement of financial position is organised by matching items on the basis of current and non-current assets and liabilities;
- the income statement is shown by type of expenditure;
- the statement of cash flows has been prepared using the indirect method;
- the statement of changes in equity gives a breakdown of the changes that took place in the period and in the previous year;
- the statement of comprehensive income shows the income items that are suspended in equity.

These condensed interim consolidated financial statements have been prepared in thousands of euro, which is the Group's "functional" and "presentation" currency in accordance with IAS 21, except where indicated otherwise.

It should also be noted that some valuation processes, particularly the more complex ones such as the determination of impairment of non-current assets, are generally carried out only when preparing the annual financial statements, when all the necessary information is more likely to be available with a reasonable degree of accuracy, except in cases where there are indications of impairment that requires an immediate assessment of any permanent losses.

Income taxes are recognised on the basis of the best estimate of the weighted average tax rate for the entire year.

On 2 March 2016, the Espresso Group and ITEDI (publishing house whose titles include La Stampa and Il Secolo XIX, both daily newspapers) announced the signature of a memorandum of understanding for the creation of Italy's foremost publishing group. This group, which will also be among the leaders in Europe in the provision of daily and digital information, will be formed on the absorption of ITEDI by Gruppo Editoriale L'Espresso. Uniting the authoritative strength of such historical titles as Repubblica, La Stampa, Il Secolo XIX and the numerous daily newspapers owned by the Espresso Group, this operation will be carried out in full compliance with the regulations that govern the concentration of the publishing sector. Accordingly, work is currently in progress to analyse and determine the transactions required, for various reasons, to enable the Group, with its new ownership profile, to comply with the limits on nationwide distribution envisaged in art. 3 of Law 67/1987. These transactions will include the sale of a number of titles.

In accordance with IFRS 5 - *"Non-current assets held for sale and discontinued operations"*, assets and liabilities held for sale have been classified under "Assets/Liabilities held for sale".

It should also be noted that, as regards activities in the "Education" sector, during the previous year CIR S.p.A. decided to stop this line of business; in particular, following the receipt of several expressions of interest from investors for the purchase of Southlands S.r.l., it was decided to initiate negotiations with a view to selling the investment. Therefore, in accordance with IFRS 5 - *"Non-current assets held for sale and discontinued operations"*, assets and liabilities held for sale have been classified under "Assets/liabilities held for sale" and the costs and revenues achieved by the company up to the date of the transfer have been classified under "Income/(loss) from assets held for sale", together with the difference between the book value and the fair value of the company.

## 2. Consolidation principles

### 2.a. Consolidation methods

The scope of consolidation includes all companies over which the Group exercises control pursuant to IFRS 10.

Under the definition of "control", an investor controls an investee when it has power over the relevant activities, is exposed to variable returns arising from its involvement with the investee and has the ability to affect those returns by exercising its power over the investee.

Subsidiaries are fully consolidated from the date on which the Group takes control and are de-consolidated when such control ceases to exist.

Consolidation is on a line-by-line basis.

The main criteria used when applying this method are the following:

- the carrying value of each investment is eliminated against the Group's share of its equity and the difference between the acquisition cost and net equity of investee companies is posted, where appropriate, to the asset and liability items included in the consolidation. If there is a balance left over, it is posted to income if negative or to assets as goodwill if positive. Goodwill is tested for impairment based on its recoverable value;
- significant transactions between consolidated companies are eliminated on consolidation, as are receivables and payables and unrealised profits on transactions between Group companies, net of tax;
- minority interests in equity and the net result for the period are shown separately in the consolidated statement of financial position and income statement.

## Associates

All companies in which the Group has a significant influence, without having control, in accordance with IAS 28, are considered associates. Significant influence is presumed to exist when the Group has between 20% and 50% of the voting rights (excluding cases of joint control). Associates are consolidated using the equity method from the date on which the Group acquires significant influence in the associate and are de-consolidated from the moment when this influence no longer exists.

The main criteria used when applying the equity method are the following:

- the carrying value of each investment is eliminated against the Group's share of its equity and any positive difference identified at the time of the acquisition, net of any impairment; the corresponding share of the net income or loss for the period is posted to the income statement. If the Group's portion of the associate's accumulated losses exceeds the carrying value of the investment, the investment is written off and any further losses are not recorded, unless the Group has a contractual obligation to do so;
- any unrealised gains and losses generated by transactions between Group companies are eliminated, except where the losses reflect impairment of the associate's assets;
- the accounting policies of associates are amended, where necessary, to bring them into line with those of the Group.

## Joint ventures

Joint ventures are measured using the equity method pursuant to IFRS 11.

### **2.b. Translation of foreign companies' financial statements into euro**

Foreign subsidiaries' financial statements (assuming they do not operate in a hyperinflationary economy as defined by IAS 29) get translated into euro at the year-end exchange rate for the statement of financial position and at the average exchange rate for the income statement. Any exchange differences arising on translation of shareholders' equity at the year-end exchange rate and of the income statement at the average rate are posted to "Other reserves" in equity.

The main exchange rates used are the following:

	<b>2016</b>		<b>2015</b>	
	<i>Average exchange rate</i>	<i>30.06.2016</i>	<i>Average exchange rate</i>	<i>31.12.2015</i>
US dollar	1.1159	1.1102	1.1095	1.0887
Swiss franc	1.09605	1.0867	1.06786	1.0835
GB pound	0.7785	0.8265	0.7257	0.7340
Brazilian real	4.1350	3.5898	3.6390	4.3116
Argentine peso	15.9898	16.5810	10.2114	14.0964
Chinese renminbi	7.2934	7.3757	6.9691	7.0607
Indian rupee	74.9625	74.9625	71.1238	72.0461
New Romanian leu	4.4956	4.5235	4.4450	4.5241
Canadian dollar	1.4854	1.4384	1.4158	1.5116
Mexican peso	20.1613	20.6356	17.5623	18.9143
Hong Kong dollar	8.6655	8.6133	8.5977	8.4374



## 2.c. Scope of consolidation

The consolidated financial statements at 30 June 2016 and the consolidated financial statements of the previous year are the result of consolidating CIR (Parent Company) and all of the companies directly or indirectly controlled, jointly controlled or associated as of those dates. Assets and liabilities scheduled for disposal are reclassified to specific asset and liability items to highlight these circumstances.

A list of the equity investments included in the scope of consolidation, with an indication of the consolidation method used, is given in the appropriate section of this report, along with a list of those that have been excluded.

With reference to the provisions of IFRS 12, the following is the disclosure on non-controlling interests present in minority interests and associates deemed relevant for the Group.

The Group has defined as relevant for these purposes the companies representing at least 2% of total assets, net of assets held for sale, or 5% of total Group revenues.

At 30 June 2016 there are no relevant companies with significant non-controlling interests.

Among relevant associates, Persidera S.p.A. (interest held through the Espresso Group) meets the above requirements; its figures are given below:

### Persidera S.p.A.

<i>(in thousands of euro)</i>	<i>30/06/2016</i>
Revenues	40,318
Net income	6,658
Comprehensive income	6,830
Non-current assets	148,144
Current assets	45,950
<b>Total assets</b>	<b>194,094</b>
Non-current liabilities	57,859
Current liabilities	42,922
<b>Total liabilities</b>	<b>100,781</b>

### Change in the scope of consolidation

The main changes in the scope of consolidation compared with the previous year concern the following:

#### ► MEDIA

The scope of consolidation has not changed compared with the previous year.

#### ► AUTOMOTIVE COMPONENTS

Sogefi Suspension France S.A. increased its holding in S.ara Composite S.A.S. from 95% to 95.43% during the first half of 2016.

There were no other changes in the scope of consolidation during the period.

#### ► HEALTHCARE

Except as described, there were no changes in the scope of consolidation during the first of this year. Purchase of the “Casa Marchetti” line of business for € 1,200 thousand resulted in the recognition of goodwill totalling € 1,088 thousand.

In addition, CIR S.p.A. increased its equity interest in KOS S.p.A. from 51.26% to 62.73%.

### 3. Accounting policies

#### 3.a. Intangible assets (IAS 38)

Intangible assets are recognised only if they can be separately identified, if it is likely that they will generate future economic benefits and if the cost can be measured reliably.

Intangible assets with a finite useful life are valued at purchase or production cost, net of amortisation and accumulated impairment.

Intangible assets are initially recognised at purchase or production cost.

Purchase cost is represented by the fair value of the means of payment used to purchase the asset and any additional direct cost incurred to prepare the asset for use. The purchase cost is the equivalent price in cash at the date of recognition; where payment is deferred beyond normal terms of credit, the difference compared with the cash price is recognised as interest for the whole period of deferment.

Amortisation is calculated on a straight-line basis over the expected useful life of the asset and starts when the asset is ready for use.

Intangible assets with an indefinite useful life are not amortised, but monitored constantly for impairment. It is mainly the Espresso Group's newspaper/magazine titles and TV/radio frequencies that are considered intangible assets with an indefinite useful life.

The carrying value of intangible assets is maintained to the extent that there is evidence that this value can be recovered through use; to this end, an impairment test is carried out at least once a year to check that the intangible asset is able to generate future cash flows.

Development costs are recognised as intangible assets when their cost can be measured reliably, when there is a reasonable assumption that the asset can be made available for use or for sale and that it is able to generate future benefits. Once a year or any time it appears to be justified, capitalised costs are impairment tested.

Research costs are charged to the income statement as and when they are incurred.

Trademarks and licences, which are initially recognised at cost, are subsequently accounted for net of amortisation and accumulated impairment. The period of amortisation is defined as the lower of the contractual duration for use of the licence and the useful life of the asset.

Software licences, including associated costs, are recognised at cost and are recorded net of amortisation and any accumulated impairment.

"Customer relationships" represents the value assigned during the purchase price allocation process to the customer portfolio of the Systèmes Moteurs Group at the date of acquisition of control.

"Name" represents the value assigned during the purchase price allocation process to the name "Systèmes Moteurs" at the date of acquisition of control.

#### Goodwill

In the event of the acquisition of companies, the identifiable assets, liabilities and contingent liabilities acquired are recognised at their fair value as at the acquisition date. The positive difference between the acquisition cost and the Group's share of the fair value of these assets and liabilities is classified as goodwill and recorded in the statement of financial position as an intangible asset. Any negative difference ("badwill") is posted to the income statement at the time of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment. Goodwill always refers to identified income-producing assets, whose ability to generate income and cash flow is monitored constantly for impairment.

See paragraph 3.x. below (Business Combinations and Goodwill).

### 3.b. Tangible assets (IAS 16)

Tangible assets are recognised at purchase price or production cost, net of accumulated depreciation.

Cost includes associated expenses and any direct and indirect costs incurred at the time of acquisition and needed to make the asset ready for use. Financial charges relating to specific loans for long-term investments are capitalised up to the date when the assets become operational.

When there are contractual or compulsory obligations for decommissioning, removing or clearing sites where fixed assets are installed, the value recognised also includes a discounted estimate of the costs that will be incurred for their disposal.

Fixed assets are depreciated each year on a straight-line basis over the residual useful life of the assets.

Land, assets under construction and advance payments are not depreciated.

Land and buildings not used for corporate operating purposes are classified under a separate asset item and accounted for on the basis of IAS 40 "Investment property" (see paragraph 3.e. below).

In the event of circumstances that suggest that an asset has been impaired, its carrying value is checked against its recoverable value (i.e. fair value or value in use, whichever is the higher). Fair value can be established on the basis of values expressed by an active market, recent transactions or the best information available at the time with a view to determining the potential proceeds of selling the asset. Value in use is determined by discounting the cash flows expected from using the asset, applying best estimates of its residual useful life and a rate that takes into account the implicit risk of the specific business sectors in which the Group operates. This valuation is carried out for each individual asset or for the smallest identifiable cash generating unit (CGU).

If there is a negative difference between these values and the carrying value, the asset gets written down; if subsequently the reasons for the impairment no longer apply, the asset is revalued. Such write-downs and revaluations are posted to the income statement.

### 3.c. Government grants

Government grants are recognised when there is a reasonable degree of certainty that the recipient will comply with the conditions for the grant, whether or not there is a formal resolution awarding it; in other words, when it is highly likely that the grant will be received.

Capital grants are recognised in the statement of financial position either as deferred income, which is then transferred to the income statement over the useful life of the asset being financed, thereby reducing the depreciation charge, or by deducting them directly from the asset in question.

Government grants obtainable in the form of a reimbursement of expenses and costs already incurred or to provide immediate support for the recipient without there being any future costs related to the grant, are recognised as income in the period in which they can be claimed.

### 3.d. Leased assets (IAS 17)

Lease contracts for assets where the lessee substantially assumes all the risks and rewards of ownership are classified as finance leases. Where such finance leases exist, the asset is recognised at the lower of its fair value and the present value of the minimum lease payments stipulated in the contracts. Total lease payments are allocated between the financial element and the capital to be reimbursed in such a way as to obtain a constant rate of interest on the outstanding debt. The residual lease payments, net of financial charges, are classified as borrowings. The interest expense is charged to the income statement over the period of the lease. Assets acquired under finance leases are depreciated to an extent consistent with the nature of the asset. Lease contracts in which the

lessor substantially retains the risks and rewards of ownership, on the other hand, are classified as operating leases and payments made under such leases are charged to the income statement on a straight-line basis over the period of the lease.

In the event of a sale and leaseback agreement, any difference between the selling price and the carrying value of the asset is not recognised to the income statement unless the asset itself suffers an impairment loss.

### **3.e. Investment property (IAS 40)**

Investment property is property (land or a building, or part of a building, or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business.

The cost of an investment property is represented by its purchase price, as well as any improvements, replacements and extraordinary maintenance.

For self-constructed investment property, an estimate is made of all costs incurred up to the date on which the construction or development is finished. Until that date, IAS 16 applies.

In the case of an asset held under a finance lease, the initial cost is determined according to IAS 17 as the lower of the fair value of the property and the present value of the minimum lease payments due.

The Group has opted for the cost method to be applied to all investment property held. Under the cost method, the value is measured net of depreciation and any impairment losses.

### **3.f. Impairment of intangible and tangible assets (IAS 36)**

At least once a year the Group verifies whether the carrying value of intangible and tangible assets (including capitalised development costs) are recoverable, in order to determine whether the assets have suffered impairment. If such evidence exists, the carrying value of the assets is reduced to its recoverable value.

An intangible asset with an indefinite useful life is tested for impairment at least once a year; more frequently if there is any sign that it may have suffered a loss in value.

When it is not possible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the cash generating unit to which the asset belongs.

The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use.

To determine the value in use of an asset, the Group calculates the present value of estimated future cash flows, applying a discount rate that is consistent with the cash flows and which reflects the current market assessment of the time value of money and the specific risks of the business sector.

An impairment loss is recognised if the recoverable value is lower than the carrying value.

If at a later date the loss on an asset (other than goodwill) no longer exists or is less than it was, the carrying value of the asset or of the cash generating unit is written up to the new estimated recoverable value, though it cannot exceed the value that it would have had if no impairment loss had been recognised. The reversal of an impairment loss is recognised immediately in the income statement.

### **3.g. Other investments**

Investments in companies where the Parent Company does not exercise a significant influence are accounted for in accordance with IAS 39, which means that they are classified as available for sale and measured at fair value, or at cost if the fair value or market price cannot be reliably estimated.

### **3.h. Receivables and payables (IAS 32, 39 and 21)**

Receivables and payables are initially recognised at their fair value, which usually corresponds to the nominal value. Receivables are adjusted, where necessary, to their estimated realisable value. Subsequently, receivables and payables are measured at amortised cost.

Receivables and payables in foreign currencies are initially accounted for at the rates of exchange in force on the transaction date. They are then adjusted to the period-end exchange rates and any exchange gains and losses are recognised to the income statement (see paragraph 3.u. below).

### **3.i. Securities (IAS 32 and 39)**

In accordance with IAS 32 and IAS 39, investments in companies other than subsidiaries and associates are classified as available-for-sale financial assets and measured at fair value.

Gains and losses resulting from fair value adjustments are recorded in a special equity reserve. In the event of impairment losses or when the assets are sold, the gains and losses previously recognised to equity are transferred to the income statement.

Note that purchases and sales are recognised on the trade date.

This category also includes financial assets bought or issued and then classified either as held for trading or at fair value through profit and loss according to the fair value option".

For further details of the accounting treatment of financial assets, we would refer readers to the specific note on "Financial Instruments".

### **3.l. Income taxes (IAS 12)**

Current taxes are provided for on the basis of a realistic estimate of taxable income under current tax regulations of the country in which the company is based, taking into account any exemptions and tax credits that may be claimed.

Deferred taxes are calculated on the basis of any temporary differences (taxable or deductible) between the carrying values of assets and liabilities and their tax bases and are classified as non-current assets and liabilities.

A deferred tax asset is recognised to the extent that taxable income will probably be available in the future to offset deductible temporary differences.

The carrying value of deferred tax assets is subject to periodic analysis and is reduced to the extent that it is no longer probable that there will be sufficient taxable income to take advantage of the deferred tax asset.

### **3.m. Inventories (IAS 2)**

Inventories are shown at the lower of weighted average purchase or production cost and their estimated realisable value.

### **3.n. Cash and cash equivalents (IAS 32 and 39)**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible into cash and which have an insignificant risk of changes in value.

### **3.o. Equity**

Ordinary shares are recorded at their nominal value. Costs directly attributable to the issuance of new shares are deducted from equity reserves, net of any related tax benefit.

Treasury shares are shown separately as a deduction from reserves; any subsequent sale, reissuance or cancellation will not have any impact on the income statement, only on equity.

Unrealised gains and losses on financial assets classified as "available for sale" are recognised, net of tax, under equity in the fair value reserve.

The reserve is reversed to the income statement when the financial asset is realised or impairment to it is recognised.

The hedging reserve is formed when fair value changes are recognised on derivatives which have been designated as "cash flow hedges" or "hedges of net investments in foreign operations" for the purposes of IAS 39).

The portion of gains and losses considered "effective" is recognised to equity and is reversed to the income statement as and when the elements being hedged are in turn recognised to the income statement, or when the subsidiary is sold.

When a subsidiary prepares its financial statements in a currency different from the Group's functional currency, the subsidiary's financial statements are translated and any translation differences are recognised in a special reserve. When the subsidiary is sold the reserve is reversed to the income statement, accounting for any gains or losses on the disposal.

"Retained earnings (losses)" include accumulated earnings and balances transferred from other reserves when these are released from any previous limitations.

This item also shows the cumulative effect of any changes in accounting principles and/or the correction of errors, which are accounted for in accordance with IAS 8.

### **3.p. Borrowings (IAS 32 and 39)**

Loans are initially recognised at cost, represented by their fair value net of any transaction costs incurred. Subsequently, borrowings are measured at amortised cost calculated by applying the effective interest rate method, taking into consideration any issuance costs incurred and any premium or discount applied at the time the instrument is settled.

### **3.q. Provisions for risks and losses (IAS 37)**

Provisions for risks and losses refer to liabilities which are probable, but where the amount and/or maturity is uncertain. They are the result of past events which will cause a future cash outflow. Provisions are recognised exclusively in the presence of a current obligation to third parties, whether legal or implicit, which implies an outflow and when a reliable estimate of the amount involved can be made. The amount recognised as a provision is the best estimate of the disbursement required to settle the obligation as at the reporting date. The provisions recognised are reviewed at the close of each accounting period and adjusted to represent the best current estimate. Changes in the estimate are recognised to the income statement.

When the estimated outflow relating to the obligation is expected in a time horizon longer than normal payment terms and the discount factor is significant, the provision represents the present value, discounted at a nominal risk-free rate, of the expected future outflows to settle the obligation.

Contingent assets and liabilities (potential assets and liabilities, or those not recognised because no reliable estimate can be made) are not recognised. However, adequate disclosure on such items is provided.

### **3.r. Revenues and income (IAS 18)**

Revenues from the sale of goods are recognised at the time ownership and the risks related to the goods are transferred, net of returns, discounts and rebates.

Service revenues are recognised at the time the service is provided, based on its stage of completion at the reporting date.

Income from dividends, interest and royalties is recognised as follows:

- dividends, when the right to receive payment is established (with a balancing entry under receivables when distribution is approved);
- interest, using the effective interest rate method (IAS 39);
- royalties, on an accrual basis, in accordance with the underlying contractual agreement.

### 3.s. Employee benefits (IAS 19)

Benefits to be paid to employees on termination of their employment and other long term benefits are subject to actuarial valuation.

Following this methodology, liabilities recognised represent the present value of the obligation adjusted for any actuarial gains or losses not accounted for.

Finance Law no. 296/2006 made important changes to employee leaving indemnity (TFR) regulations, introducing the option for workers to transfer their indemnity maturing after 1 January 2007 to selected pension schemes. Therefore, all employee leaving indemnity accrued as at 31 December 2006 for employees who exercised this option, while remaining within the sphere of defined benefit plans, was determined using actuarial methods that exclude the actuarial/financial components relating to future changes in salary.

EU Regulation 475/2012 endorsed the amendments to IAS 19 - Employee Benefits, as approved by the IASB on 16 June 2011, with the aim of promoting the understanding and comparability of financial statements, particularly with reference to defined benefit plans. The most important change is the elimination of the different accounting treatments that were permitted for recording defined benefit plans and the consequent introduction of a single method that envisages immediate recognition in the statement of comprehensive income of any actuarial gains or losses that arise from measuring the obligation. Compared with the previous accounting treatment adopted by the Group, the main impact is the elimination of the "corridor method", with immediate recognition in the statement of comprehensive income, and therefore in equity, of changes in the value of the obligations and the plan assets. The elimination of this method had an impact on Group equity at the date of first application of the new standard, as actuarial gains and losses not previously recognised under the corridor method have now been recognised.

IFRS 2 "Share-based Payment" issued in February 2005 with validity from 1 January 2005 (revised version effective 1 January 2010) requires that application should be retrospective in all cases where stock options were assigned after 7 November 2002 and where the vesting conditions of the plans had not yet matured at the effective date.

In accordance with this standard, the CIR Group now measures and recognises the notional cost of stock options and stock grants to the income statement under personnel costs and apportions them throughout the vesting period of the benefit, with a balancing entry in the appropriate equity reserve.

The cost of the option is determined at the award date of the plan, applying special models and multiplying by the number of options exercisable over the reference period, assessed with the aid of appropriate actuarial variables.

Similarly, the cost resulting from the assignment of phantom stock options is determined in relation to the fair value of the options at the assignment date and is recognised to the income statement under personnel costs over the vesting period of the benefit; unlike for stock options and stock grants, the balancing entry is recorded under liabilities (other personnel provisions) and not in an equity reserve. Until this liability is extinguished its fair value is recalculated at each reporting date



and on the date of actual disbursement and all fair value changes are recognised to the income statement.

Similarly, the cost resulting from the assignment of phantom stock options is determined in relation to the fair value of the options at the assignment date and is recognised to the income statement under personnel costs over the vesting period of the benefit; unlike for stock options and stock grants, the balancing entry is recorded under liabilities (other personnel provisions) and not in an equity reserve. Until this liability is extinguished its fair value is recalculated at each reporting date and on the date of actual disbursement and all fair value changes are recognised to the income statement.

### **3.t. Derivatives (IAS 32 and 39)**

Derivatives are measured at fair value.

The Group uses derivatives mainly to hedge risks, in particular interest rate, foreign exchange and commodity price risks. Classification of a derivative as a hedge is formally documented, stating the effectiveness of the hedge.

For accounting purposes hedging transactions are classified as:

- fair value hedges – where the effects of the hedge are recognised to the income statement;
- cash flow hedges – where the fair value change of the effective portion of the hedge is recognised directly to equity, while the non-effective part is recognised to the income statement.
- hedges of a net investment in a foreign operation – where the fair value change of the effective portion of the hedge is recognised directly to equity, while the non-effective part is recognised to the income statement.

### **3.u. Foreign currency translation (IAS 21)**

The Group's functional currency is the euro and this is the currency in which its financial statements are prepared. Group companies prepare their financial statements in the currencies used in their respective countries.

Transactions carried out in foreign currencies are initially recognised at the exchange rate on the date of the transaction.

At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing on that date.

Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate prevailing on the date of the transaction.

Non-monetary items measured at fair value are translated using the exchange rate at the date on which the carrying values were measured.

The assets and liabilities of Group companies whose functional currency is not the euro are measured as follows:

- assets and liabilities are translated using the exchange rate prevailing at the reporting date;
- costs and revenues are translated using the average exchange rate for the period.

Exchange rate differences are recognised directly to a special equity reserve.

Should an investment in a foreign operation be sold, the accumulated exchange rate differences recognised in the equity reserve are reversed to the income statement.

### **3.v. Non-current assets held for sale (IFRS 5)**

A non-current asset is held for sale if its carrying value will be recovered principally through a sale rather than through its use in the business. For this condition to be satisfied the asset must be immediately saleable in its present condition and a sale must be considered highly likely.

Assets or groups of discontinued assets that are classified as held for sale are valued at the lower of their carrying value and the expected realisable value, less costs to sell.

Individual assets or those that form part of a group classified as held for sale are not depreciated.

Presentation of these assets in the financial statements involves showing the after-tax income and losses resulting from the sale on a separate line in the income statement. Similarly, the assets and liabilities have to be shown on a separate line in the statement of financial position.

### **3.w. Earnings per share (IAS 33)**

Basic earnings per share are determined by dividing net income attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares in circulation during the period.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in circulation to take into account all potential ordinary shares, for example deriving from the possible exercise of assigned stock options that could have a dilutive effect.

### **3.x. Business combinations and Goodwill**

Business acquisitions are recognised using the purchase and acquisition method in compliance with IFRS 3, on the basis of which the acquisition cost is equal to the fair value on the date of exchange of the assets transferred and the liabilities incurred or assumed. Any transaction costs relating to business combinations are recognised to the income statement in the period they are incurred.

Contingent consideration is included as part of the transfer price of the net assets acquired and is measured at fair value at the acquisition date. Similarly, if the business combination agreement envisages the right to receive repayment of certain elements of the price if certain conditions are met, this right is classified as an asset by the purchaser.

Any subsequent changes in this fair value are recognised as an adjustment to the original accounting treatment only if they are the result of more or better fair value information and if this takes place within twelve months of the acquisition date; all other changes must be recognised to the income statement.

In the event of a step acquisition of a subsidiary, the minority interest previously held (recognised up to that point according to IAS 39 – Financial Instruments: Recognition, IAS 28 – Investments in Associates or IFRS 11 – Joint Arrangements – Accounting for acquisitions of interests in joint operations) is treated as if it had been sold and repurchased at the date that control is acquired. The investment is therefore measured at its fair value on the date of "transfer" and any gains and losses resulting from this measurement are recognised to the income statement. Moreover, any amount previously recognised in equity as "Other comprehensive gains and losses", is reclassified to the income statement following the sale of the asset to which it refers. The goodwill (or income in the case of badwill) arising on conclusion of the deal with subsequent acquisition is calculated as the sum of the price paid for the acquisition of control, the value of minority interests (measured using one of the methods permitted by the accounting standard) and the fair value of the minority interest previously held, net of the fair value of the identifiable net assets acquired.

The identifiable assets, liabilities and contingent liabilities of the acquired business which meet the conditions for recognition are accounted for at their fair value on the date of acquisition. Any positive difference between the acquisition cost and the fair value of the Group's share of net assets acquired is recognised as goodwill or, if negative, charged to the income statement. After initial

recognition, goodwill is measured at cost less any accumulated impairment. Goodwill always refers to identified income-producing assets, whose ability to generate income and cash flow is monitored constantly for impairment.

The accounting treatment of the acquisition of any further investment in companies already controlled are considered transactions with shareholders and therefore any differences between acquisition costs and the carrying value of the minority interests acquired are recognised in Group equity. Likewise, sales of minority interests not involving loss of control do not generate gains/losses in the income statement, but rather changes in Group equity.

The initial allocation to assets and liabilities as mentioned above, using the option given in IFRS 3, can be performed on a provisional basis by the end of the year in which the transaction is completed; the values provisionally assigned on initial recognition can be adjusted within twelve months of the date on which control was acquired.

### 3.y. Use of estimates

The preparation of financial statements and explanatory notes in accordance with IFRS requires management to make estimates and assumptions which affect the values of the assets and liabilities shown in them, as well as the disclosures made regarding contingent assets and liabilities as of the reporting date.

The estimates and assumptions used are based on experience and other factors considered relevant. The actual results could differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected in the income statement in the period in which the amendment is made if the review only affects that period, or in subsequent periods if the amendment affects both the current and future years.

The items mainly affected by this use of estimates are goodwill, deferred taxes, provisions for risks and losses, personnel provisions and the fair value of financial instruments, stock options, phantom stock options and stock grants.

See the notes on these specific items for further details.

## 4. Financial instruments

Financial instruments take on a particular significance in the CIR Group's economic and financial structure. For this reason, management felt that it would be useful to devote a special section to accounting standards IAS 32 and IAS 39, to help readers understand better the financial issues involved.

According to IAS 32 financial instruments are classified into four categories:

- a) financial instruments measured at fair value through profit and loss (FVTPL) in application of the fair value option: either designated as such or held for trading;
- b) Investments held to maturity (HTM);
- c) loans and receivables (L&R);
- d) available-for-sale financial assets (AFS).

Classification depends on the intended use of the financial instrument within the context of the Company's financial management and each involves a different type of measurement for accounting purposes. Financial transactions are recognised on the basis of their value date.

#### Financial instruments at fair value through profit and loss

Financial instruments are classified as such if they satisfy one of the following conditions:

- they are held for trading;
- they are designated as such under the fair value option, on the assumption that the fair value can be reliably determined.

Trading generally means frequent buying and selling with the aim of generating profit on short-term price fluctuations.

Derivatives are included in this category unless they are designated as hedge instruments.

The initial designation of financial instruments, other than derivatives and those held for trading, as instruments at fair value through profit and loss under the fair value option is limited to those that meet the following conditions:

- a) designation under the fair value option eliminates or significantly reduces an accounting mismatch;
- b) a group of financial assets, financial liabilities or both are managed and their performance is measured on a fair value basis in accordance with a documented investment risk strategy, and;
- c) an instrument contains an embedded derivative which meets particular conditions.

The designation of an individual instrument to this category is final, it is made at the time of initial recognition and cannot be modified.

#### Investments held to maturity

This category includes non-derivative instruments with fixed or determinable payments and a fixed maturity, which the Company intends and is able to hold to maturity.

These instruments are measured at amortised cost and constitute an exception to the general principle of measurement at fair value.

Amortised cost is determined by applying the effective interest rate of the financial instrument, taking into account any discounts received or premiums paid at the time of purchase, and recognising them throughout the entire life of the instrument until its maturity.

Amortised cost represents the initial recognition value of a financial instrument, net of any capital repayments and any impairment, plus or minus cumulative differences between its initial value and its value at maturity calculated using the effective interest rate method.

The effective interest rate method is a way of calculating the financial charges to be assigned to a particular period.

The effective interest rate is the rate that gives a correct present value to expected future cash flows until maturity, so as to obtain the net present carrying value of the financial instrument.

If even only one instrument belonging to this category is sold before maturity, for a significant amount and where there is no special justification for its disposal, the so-called "tainting rule" gets applied: this requires that the whole portfolio of securities classified as Held To Maturity be reclassified and measured at fair value, after which this category cannot be used for the next two years.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not held for trading.

The category includes trade receivables (and payables).

Measurement of these instruments, except for those classified as current assets or liabilities (within twelve months), is made by applying the amortised cost method, using the effective interest rate and taking into account any discounts received or premiums paid at the time of acquisition and recognising them throughout the entire life of the instrument until its maturity.

#### Available-for-sale financial assets

This is a "residual" category which includes non-derivative financial instruments that are designated as available for sale and not included in any of the previous categories.

Available-for-sale financial instruments are recognised at their fair value plus any transaction costs.

Gains and losses are recognised to a separate equity item until the financial instruments are sold or suffer impairment. In such cases, the gains and losses accrued to equity up to that point are released to the income statement.

This item also includes insurance policies subscribed by CIR Investimenti S.p.A. This deals with capitalisation policies and life insurance policies with returns linked to separate insurance portfolios and in certain cases, to unit linked funds. The return accrued each year, being financial in nature, like interest, is recognised in the income statement. The yields linked to unit linked funds as well as to changes in fair value are recorded in the comprehensive income statement and only in case of impairment or redemption recognised in the income statement. The valuation in the financial statements is based on the communications received from the insurance companies.

Investments in financial assets can only be derecognised (i.e. eliminated from the financial statements) when the contractual rights to receive their respective financial cash flows have expired or when the financial asset is transferred to third parties together with all associated risks and benefits.

#### Fair value

Fair value, as defined by IFRS 13, is the price that would be received for the sale of an asset or that would be paid to transfer a liability in a regular transaction between market participants at the measurement date.

The fair value of financial liabilities due and payable on demand (e.g. demand deposits) is not less than the amount payable on demand, discounted from the first date on which payment could be required.

For financial instruments quoted in active markets, the fair value is determined on the basis of official prices in the principal market to which the Group has access (mark to market).

A financial instrument is considered quoted in an active market if quoted prices are readily and regularly available from a quotation system, dealers, brokers, etc., and these prices represent actual and regular market transactions. If there is no quoted market price in an active market for a financial instrument taken as a whole, but there is one for some of its components, the fair value is determined on the basis of the specific market prices of its components.

If there are no observable prices in an active market for an identical item owned by another operator as an asset, or if prices are not available, using other observable inputs such as quoted prices in an inactive market for the identical item owned by another operator as an asset, the Group will assess the fair value using another valuation technique, such as:

- an income approach (for example, a technique that takes into account the present value of future cash flows that a market participant would expect to receive from owning a financial liability, an equity instrument or an asset);
- a market approach (for example, using quoted prices for similar liabilities or equity instruments owned by third parties as assets);
- valuations performed using, in all or in part, inputs not taken from parameters that are observable on the market, for which use is made of estimates and assumptions developed by the evaluator (Mark to Model). The Group uses valuation models (mark to model) that are generally accepted and used by the market. The models include techniques based on the discounting of

future cash flows and estimates of volatility (if there is an optional component); these are subject to revision from time to time in order to ensure consistency with the objectives of the valuation.

These methods use inputs based on prices set in recent transactions and/or prices/quotations for instruments that have similar characteristics in terms of risk profile.

As a further guarantee of the objectivity of valuations derived from valuation models, the Group uses fair value adjustments (FVAs) to take into account the risks associated primarily with the limited liquidity of the positions, the valuation models used and counterparty risk.

The choice between these techniques is not optional, as they have to be applied in hierarchical order: if, for example, a price quoted in an active market is available, the other valuation techniques cannot be used.

As regards the determination of the fair value of derivative contracts, default risk, which is reflected through credit value adjustments (CVA) and debit value adjustments (DVA), has to be taken into consideration.

IFRS 13 provides for the classification of the instruments being measured at fair value according to the observability of the inputs used for pricing them.

The fair value hierarchy has three levels:

- Level 1: the fair value of instruments classified in this level is determined based on (unadjusted) quoted prices that can be observed in active markets;
- Level 2: the fair value of instruments classified in this level is determined based on valuation models that use inputs that can be observed in active markets (other than the quoted prices included in Level 1, observable either directly or indirectly).
- Level 3: the fair value of instruments classified in this level is determined based on valuation models that primarily use inputs that can not be observed in active markets. The valuations are based on various inputs, not all directly derived from observable market parameters, and involve estimates and assumptions on the part of the evaluator.

## 5. Accounting standards, changes in accounting estimates and errors

The criteria for making estimates and measurements are reviewed periodically, based on historical experience and other factors such as expectations of possible future events that are reasonably likely to take place.

If first-time application of a standard affects the current year or the previous one, the effect is shown by indicating the change caused by any transitional rules, the nature of the change, a description of the transitional rules, which may also affect future years, and the amount of any adjustments to years prior to those being presented.

If a voluntary change of a standard affects the current or previous year, the effect is shown by indicating the nature of the change, the reasons for adopting the new standard, and the amount of any adjustments to years prior to those being presented.

In the event of a new standard or interpretation issued but not yet in force, an indication is given of the fact, its potential impact, the name of the standard or interpretation, the date on which it will come into force and the date of its first-time application.

A change in accounting estimate involves giving an indication of the nature and impact of the change. Estimates are used mainly in the recognition of asset impairment, provisions for risks, employee

benefits, taxes and other provisions and allowances. Estimates and assumptions are reviewed regularly and the effects of any such changes are reflected in the income statement. Lastly, the treatment of accounting errors involves an indication of the nature of the error and the amount of the adjustments to be made at the beginning of the first reporting period after they were discovered.

## 6. Adoption of new accounting standards, interpretations and amendments

The following accounting standards, amendments and interpretations were applied for the first time by the Group with effect from 1 January 2016:

- Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions” (published on 21 November 2013): regarding the accounting for contributions made to defined benefit plans by employees and third parties. Adoption of these amendments did not have any impact on the consolidated financial statements of the Group
- Amendments to IFRS 11 Joint Arrangements – “Accounting for acquisitions of interests in joint operations” (published on 6 May 2014): regarding the accounting for the acquisition of interests in joint operations whose activities constitute a business. Adoption of these amendments did not have any impact on the consolidated financial statements of the Group.
- Amendments to IAS 16 Property, plant and equipment and IAS 41 Agriculture – “Bearer Plants” (published on 30 June 2014): bearer plants, i.e. fruit trees that will give rise to annual harvests (such as grapevines or hazelnut trees) should be accounted for in accordance with IAS 16 (rather than IAS 41). Adoption of these amendments did not have any impact on the consolidated financial statements of the Group.
- Amendments to IAS 16 – Property, plant and equipment and IAS 38 – Intangible Assets – “Clarification of acceptable methods of depreciation and amortisation” (published on 12 May 2014): these clarify that depreciation and amortisation criteria based on revenues are generally considered inappropriate. This is because the revenues generated by an activity that includes use of the depreciated asset usually reflect factors other than just consumption of the economic benefits deriving from that asset, which is the strict requirement for the recognition of depreciation. Adoption of these amendments did not have any impact on the consolidated financial statements of the Group.
- Amendment to IAS 1 – “Disclosure Initiative” (published on 18 December 2014): the objective of the amendment is to provide clarification about certain disclosures that could be perceived as impediments to clear and intelligible financial statements. Adoption of this amendment did not have any impact on the consolidated financial statements of the Group.

Lastly, as part of its annual improvements to accounting standards, on 12 December 2013 the IASB published “**Annual Improvements to IFRSs: 2010-2012 Cycle**” (including: IFRS 2 *Share-based Payment – Definition of vesting conditions*, IFRS 3 *Business Combinations – Accounting for contingent consideration*, IFRS 8 *Operating Segments – Aggregation of operating segments and Reconciliation of total of the reportable segments’ assets to the entity’s assets*, IFRS 13 *Fair Value Measurement – Short-term receivables and payables*) and, on 25 September 2014, “**Annual Improvements to IFRSs: 2012-2014 Cycle**” (including: IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 – *Financial Instruments: Disclosure* and IAS 19 – *Employee Benefits*) which supplement the existing standards. Adoption of these amendments did not have any impact on the consolidated financial statements of the Group.



## ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS OF IFRS NOT YET ENDORSED BY THE EUROPEAN UNION

At the date of these consolidated half-yearly financial statements, the competent bodies of the European Union had not yet completed the endorsement process necessary for the adoption of the following amendments and standards.

- IFRS 15 – Revenue from Contracts with Customers (published on 28 May 2014 with further clarifications published on 12 April 2016) that will replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard lays down a new model of revenue recognition that will apply to all contracts with customers, except for those that fall within the scope of other IAS/IFRS as leases, insurance contracts and financial instruments. The basic steps for the recognition of revenue under the new model are:
  - identification of the contract with the customer;
  - identification of the performance obligations laid down in the contract;
  - determination of the price;
  - allocation of the price to the performance obligations laid down in the contract;
  - the method of recognition of the revenues when the entity meets each performance obligation.

This standard will be applicable from 1 January 2018, but earlier application is permitted. The Directors are of the opinion that application of IFRS 15 could have a significant impact on the amounts booked as revenues and on the related disclosures to be made in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis of its contracts with customers.

- Final version of IFRS 9 – Financial Instruments (published on 24 July 2014). The document includes the results of steps relating to classification and measurement, impairment and hedge accounting, of the IASB's project to replace IAS 39:
  - it introduces new criteria for the classification and measurement of financial assets and liabilities;
  - with reference to the impairment model, the new standard requires loan losses to be estimated on the basis of expected losses (and not incurred losses, as under IAS 39), using information that has adequate support, available without unreasonable effort or expense, and that includes historical, current and prospective figures;
  - it introduces a new model for hedge accounting (increases the types of transactions eligible for hedge accounting, changes the methodology for recognising forward contracts and options when included in an eligible hedging relationship, amends the effectiveness test);
  - This new standard, which replaces the previous versions of IFRS 9, has to be applied in financial statements beginning on or after 1 January 2018.

The Directors are of the opinion that application of IFRS 9 could have a significant impact on the amounts and disclosures to be reported in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis.

- On 13 January 2016, the IASB issued IFRS 16 - Leases which is intended to replace IAS 17 - Leases and IFRIC 4 Determining Whether an Arrangement contains a Lease, SIC-15 Operating Leases -



Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of lease and introduces a criterion based on control ("right of use") of an asset to distinguish leases from service contracts, identifying as discriminating factors: identification of the asset, the right to replace it, the right to obtain substantially all of the economic benefits arising from use of the asset and the right to direct use of the asset underlying the contract.

The standard establishes a single model of recognition and measurement of leases for the lessee, which entails booking the asset being leased - whether a finance lease or an operating lease - under assets, with a financial payable as the contra-entry. The standard also provides an option not to recognize as leasing contracts that involve "low-value assets" and leases that last for 12 months or less. On the other hand, the standard does not include any significant changes for lessors.

The standard is applicable from 1 January 2019, but earlier application is permitted only for companies that have applied for early adoption of IFRS 15 - Revenue from Contracts with Customers. The Directors are of the opinion that application of IFRS 16 could have a significant impact on the accounting treatment of lease contracts and the disclosures to be made in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis of the related contracts.

- On 11 September 2014 the IASB issued an amendment to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture". This document was published in order to resolve the current conflict between IAS 28 and IFRS 10 on how to measure the gain or loss deriving from the transfer or contribution of a non-monetary asset to a joint venture or associate, in exchange for an equity interest in the latter. The IASB has currently suspended this amendment.
- On 18 December 2014, the IASB issued the document "Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)" (published on 18 December 2014), containing amendments related to issues arisen after the application of the consolidation exception granted to investment entities. The amendments introduced by this document have to be applied for years beginning on 1 January 2016 or after. The Directors do not expect these changes to have a significant impact in the Group's consolidated financial statements as the Company does not satisfy the definition of an investment entity.
- On 19 January 2016, the IASB published "Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)", which amends IAS 12. This document clarifies the recognition of deferred tax assets for unrealised losses under certain circumstances, as well as how to estimate future taxable income. These amendments will be applicable from 1 January 2017, but earlier application is permitted. The Directors do not expect any impact on the Group's consolidated financial statements from the application of these amendments.
- On 29 January 2016, the IASB published "Disclosure Initiative (Amendments to IAS 7)", which contains amendments to IAS 7. This document provides clarifications intended to improve the disclosures made about financial liabilities. In particular, the amendments require disclosures that enable the users of financial statements to evaluate changes in liabilities arising from financing activities. These amendments will be applicable from 1 January 2017, but earlier application is permitted. There is no requirement to present prior-year comparative information on first-time application. The Directors are currently assessing the potential effects of these amendments on the Group's consolidated financial statements.
- On 20 June 2016, the IASB published "Classification and measurement of share-based payment transactions (Amendments to IFRS 2)", which clarifies how to account for the effects of vesting

conditions when cash-settled share-based payments are involved, how to classify share-based payments that represent net settlements, and how to recognise amendments to the terms and conditions of a share-based payment that change its classification from cash-settled to equity-settled. These amendments will be applicable from 1 January 2018, but earlier application is permitted. The Directors are currently assessing the potential effects of these amendments on the Group's consolidated financial statements.

## 7. Non-current assets

### 7.a. Intangible assets

	Opening balance			Changes for the period							Closing balance		
	Original cost	Accumulated amortisation and write-downs	Net balance 31.12.2015	Acquisitions	Business combinations business disposals		Exchange rate differences	Other changes	Net disposals	Amortisation and write-downs	Original cost	Accumulated amortisation and write-downs	Balance 30.06.2016
					increases	decreases			cost				
<i>(in thousands of euro)</i>													
Start-up and expansion costs	36	(36)	--	--	--	--	--	--	--	--	36	(36)	--
Capitalised development costs													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	184,220	(104,857)	79,363	7,897	--	--	(543)	4,929	(43)	(12,972)	197,625	(118,994)	78,631
Industrial patents and intellectual property rights	48,875	(17,728)	31,147	514	--	--	1	--	--	(1,428)	49,222	(18,988)	30,234
Concessions, licences, trademarks and similar rights	82,297	(68,562)	13,735	1,356	--	--	(34)	563	--	(1,488)	84,542	(70,410)	14,132
Titles and trademarks	388,002	--	388,002	--	--	(2,900)	--	--	--	--	385,102	--	385,102
Frequencies	87,278	--	87,278	--	--	--	--	--	--	--	87,278	--	87,278
Goodwill	528,194	(168,013)	360,181	--	1,088	--	(872)	--	(378)	(345)	527,758	(168,084)	359,674
Assets in progress and advance payments													
- purchased	7,674	--	7,674	2,244	--	--	(34)	(2,523)	--	--	7,361	--	7,361
- produced internally	15,493	(1,211)	14,282	3,364	--	--	(40)	(3,215)	--	--	15,751	(1,360)	14,391
Other	26,968	(10,978)	15,990	465	--	--	(50)	194	--	(791)	27,471	(11,663)	15,808
<b>Total</b>	<b>1,369,037</b>	<b>(371,385)</b>	<b>997,652</b>	<b>15,840</b>	<b>1,088</b>	<b>(2,900)</b>	<b>(1,572)</b>	<b>(52)</b>	<b>(421)</b>	<b>(17,024)</b>	<b>1,382,146</b>	<b>(389,535)</b>	<b>992,611</b>

Intangible assets went from € 997,652 thousand at 31 December 2015 to € 992,611 thousand at 30 June 2016.

## AMORTISATION RATES

<i>Description</i>	<i>%</i>
Capitalised development costs	20-33%
Industrial patents and intellectual property rights	4-50%
Concessions, licences, trademarks and similar rights	16-33.33%
DTV frequencies	5%
Other intangible assets	16-33.33%

## GOODWILL, TRADEMARKS AND OTHER ASSETS WITH AN INDEFINITE USEFUL LIFE

A more detailed analysis of the main items making up intangible assets with an indefinite useful life is given in the following charts.

### Titles and trademarks:

<i>(in thousands of euro)</i>	<i>30.06.2016</i>	<i>31.12.2015</i>
la Repubblica	229,952	229,952
Local newspapers	151,841	154,741
Other titles and trademarks	3,309	3,309
<b>Total</b>	<b>385,102</b>	<b>388,002</b>

### Frequencies:

<i>(in thousands of euro)</i>	<i>30.06.2016</i>	<i>31.12.2015</i>
Radio frequencies	87,278	87,278
<b>Total</b>	<b>87,278</b>	<b>87,278</b>

### Goodwill:

<i>(in thousands of euro)</i>	<i>30.06.2016</i>	<i>31.12.2015</i>
Media Sector (Editoriale L'Espresso Group)	2,733	2,733
Healthcare sector (Kos Group)	228,303	228,810
Automotive sector (Sogefi Group)	128,638	128,638
<b>Total</b>	<b>359,674</b>	<b>360,181</b>

Goodwill has been allocated to the CGUs that were identified in the same way that management of the Parent Company operates and manages its assets, based on the Group's operating sectors. The above chart shows the allocation of goodwill by Group operating sector.

In order to perform the impairment test of goodwill and other intangible assets with an indefinite useful life, the recoverable value of each cash generating unit, defined in accordance with IAS 36, was estimated with reference to its value in use or its fair value less selling costs and having regard - where applicable in the specific circumstances - for the guidelines contained in the document entitled "Impairment test of goodwill in the context of crises in the financial markets and the real economy: guidelines" issued by the O.I.V. (Italian Valuation Board).

Value in use was calculated by discounting to present value future cash flows generated by the unit in the production phase and at the time of its disposal, using an appropriate discount rate (discounted cash flow or DCF method). More specifically, in accordance with what is required by international accounting standards, to test the value, cash flows were considered without taking into

account inflows and outflows generated by financial management or any cash flows relating to tax management. The cash flows to be discounted are therefore distinctive, unlevered operating cash flows (as they refer to individual units).

The cash flows of the single operating units were extrapolated from the budgets and forecasts made by the management of the operating units concerned. These plans were then processed on the basis of economic trends recorded in previous years and using the forecasts made by leading analysts on the outlook for the respective markets and more in general on the evolution of each business sector. To give a fair estimate of a CGU's value in use, we had to assess its expected future cash flows, expected changes in the amount and timing of these flows, the discount rate to be used and any other risk factors affecting the unit.

In order to determine the discount rate to be used, we calculated the weighted average cost of capital (WACC) invested at sector level, regardless of the financial structure of the individual company or subgroup.

The values used to calculate WACC (taken from leading financial sources) were the following:

- financial structure of the sector;
- unlevered beta for the sector;
- risk-free rate: annual average yield on government bonds in countries where Group companies operate;
- risk premium: average market risk premium in countries where Group companies operate.

The fair value less costs to sell of an asset or group of assets (e.g. a CGU) is best expressed in the price established by a "binding sale agreement in an arm's length transaction", net of any direct disposal costs. If this information was not available, the fair value net of costs to sell was determined in relation to the following trading prices, in order of importance:

- the current price traded on an active market;
- prices for similar transactions executed previously;
- the estimated price based on information obtained by the company.

The recoverable value of each asset was estimated with reference to the higher of its fair value less costs to sell or its value in use, if both were available.

As required by IAS 36, goodwill is tested for impairment at least once a year, except in cases where there are indications that require an immediate assessment of possible impairment losses.

At 30 June 2016, in light of the trends in sales and margins of the CGUs during the first half of 2016, also in relation with their respective plans, there were no indications that suggested that the impairment test was no longer valid, nor that the amounts were no longer reasonable.

## 7.b. Tangible assets

(in thousands of euro)	Opening balance			Changes for the period								Closing balance		
	Original cost	Accumulated depreciation and write-downs	Net balance	Acquisitions	Business combinations	Capitalised financial charges	Exchange rate differences	Other changes (*)	Net disposals	Depreciation and write-downs		Original cost	Accumulated depreciation and write-downs	Balance
			31.12.2015											30.06.2016
				disposals										
				increases	decreases				cost					
Land	48,588	(522)	48,066	--	--	--	(170)	(1)	--	--		48,417	(522)	47,895
Buildings used for operating purposes	391,848	(160,536)	231,312	336	--	--	78	775	(43)	(5,938)		392,752	(166,232)	226,520
Plant and machinery	962,357	(733,338)	229,019	4,170	--	(1,486)	--	68	14,193	(23)	(25,139)	961,615	(740,813)	220,802
Industrial and commercial equipment	140,093	(101,072)	39,021	2,758	112	--	--	(562)	(283)	(88)	(3,934)	140,085	(103,061)	37,024
Other assets	255,834	(198,939)	56,895	3,060	--	(25)	--	(88)	4,309	(8)	(6,040)	260,604	(202,501)	58,103
Assets in progress and advance payments	55,152	(728)	54,424	21,714	--	--	--	(440)	(18,948)	(77)	(302)	57,369	(998)	56,371
<b>Total</b>	<b>1,853,872</b>	<b>(1,195,135)</b>	<b>658,737</b>	<b>32,038</b>	<b>112</b>	<b>(1,511)</b>	<b>--</b>	<b>(1,114)</b>	<b>45</b>	<b>(239)</b>	<b>(41,353)</b>	<b>1,860,842</b>	<b>(1,214,127)</b>	<b>646,715</b>

Tangible assets went from € 658,737 thousand at 31 December 2015 to € 646,715 thousand at 30 June 2016.

(\*) "Other changes" relate to completion of the projects in progress at the end of the last financial year and to the consequent reclassification of the items concerned.

### DEPRECIATION RATES

Description	%
Buildings used for operating purposes	3.00%
Plant and machinery	10.00-25.00%
Other assets:	
- Electronic office equipment	20.00%
- Furniture and fittings	12.00%
- Motor vehicles	25.00%

### 7.c. Investment property

Opening balance				Changes for the period							Closing balance			
	Original cost	Accumulated depreciation and write-downs	Net balance 31.12.2015	Acquisitions	Business combinations disposals		Capitalised financial charges	Exchange rate	Other changes (*)	Net disposals cost	Depreciation and write-downs	Original cost	Accumulated depreciation and write-	Balance 30.06.2016
(in thousands of euro )					increases	decreases								
Land and buildings	28,361	(8,297)	20,064	136	--	--	--	--	1	--	(379)	28,498	(8,676)	19,822
<b>Total</b>	<b>28,361</b>	<b>(8,297)</b>	<b>20,064</b>	<b>136</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1</b>	<b>--</b>	<b>(379)</b>	<b>28,498</b>	<b>(8,676)</b>	<b>19,822</b>

Investment property went from € 20,064 thousand at 31 December 2015 to € 19,822 thousand at 30 June 2016.  
The market value is considerably higher than the carrying value.

#### DEPRECIATION RATES

Description	%
Buildings	3.00%

The position of leased assets and of restrictions applied to all tangible assets on account of guarantees and commitments at 30 June 2016 and 31 December 2015 is as follows:

<i>(in thousands of euro)</i>	<i>Gross leasing amount</i>		<i>Accumulated depreciation</i>		<i>Restrictions for guarantees and commitments</i>	
	<i>30.06.2016</i>	<i>31.12.2015</i>	<i>30.06.2016</i>	<i>31.12.2015</i>	<i>30.06.2016</i>	<i>31.12.2015</i>
Land	7,385	7,385	--	--	--	--
Buildings	76,294	76,663	9,237	8,390	131,178	131,178
Plant and machinery	21,293	19,244	8,836	6,172	--	144,963
Other assets	84	2,862	84	2,150	--	183
Assets in progress and advance payments	7,713	6,013	--	--	--	--

With reference to the "Restrictions for guarantees and commitments", the reduction in the "Plant and machinery" category relates to the guarantees given to banks by the Espresso Group, secured on printing presses, equipment and similar, on the arrangement of an assisted loan in 2005: these loans have been repaid in full and, therefore, the related privileges are merely formal and will be cancelled shortly.

#### 7.d. Investments in companies consolidated at equity

*(in thousands of euro)*

	<i>Balance 31.12.2015</i>	<i>Increases (Decreases)</i>	<i>Write- downs</i>	<i>Dividends</i>	<i>Pro-rata share of result</i>		<i>Other changes</i>	<i>Discontinued operations</i>	<i>Balance 30.06.2016</i>
					<i>Loss</i>	<i>Income</i>			
Persidera S.p.A.	30.00	113,084	--	--	(2,802)	--	1,997	--	112,279
Editoriale Libertà S.p.A.	35.00	13,911	--	--	(350)	--	210	--	13,771
Editoriale Corriere di Romagna S.r.l.	49.00	3,156	--	--	--	--	25	--	3,181
Altrimedia S.p.A.	35.00	741	--	--	(52)	--	14	--	703
Le Scienze S.p.A.	50.00	88	--	--	--	--	8	--	96
Devil Peak S.r.l.	36.16	--	--	--	--	--	--	--	--
Apokos Rehab PVT Ltd	50.00	725	--	--	--	--	--	--	725
Huffingtonpost Italia S.r.l.	49.00	128	58	--	(68)	--	--	--	118
<b>Total</b>		<b>131,833</b>	<b>58</b>	--	<b>(3,204)</b>	<b>(68)</b>	<b>2,254</b>	--	<b>130,873</b>

#### 7.e. Other investments

<i>(in thousands of euro)</i>	<i>30.06.2016</i>	<i>31.12.2015</i>
Ansa S. Coop. A.R.L.	2,209	2,209
Emittenti Titoli S.p.A.	132	132
Other	3,102	3,489
<b>Total</b>	<b>5,443</b>	<b>5,830</b>

The carrying values correspond to the cost, reduced where necessary for impairment, and are essentially considered to be equivalent to their fair value.

#### 7.f. Other receivables

"Other receivables" at 30 June 2016 had a balance of € 84,082 thousand, compared with € 86,957 thousand at 31 December 2015.

At 30 June 2016, this item includes the following:



- € 41,072 thousand (€ 42,022 thousand at 31 December 2015) of unsecured and mortgage-backed receivables of the securitisation companies Zeus Finance S.r.l. and Jupiter Market Place S.r.l.;
- € 19,368 thousand relating to the receivable from the vendor of the shares in Systèmes Moteurs S.A.S. (booked as part of the Purchase Price Allocation of the Systèmes Moteurs Group) for the recovery of costs arising from disputes about product quality, based on the guarantees provided by the vendor. In May 2016, Sogefi S.p.A. received the outcome of the international arbitration promoted in relation to Dayco, the seller of Sogefi Air & Refroidissement France S.A.S., for the recovery of costs incurred by Sogefi Air & Refroidissement France S.A.S. subsequent to the acquisition. Based on the outcome of the arbitration, the company has reduced its expected recoveries from Dayco by € 4 million and, therefore, has written down its *indemnification asset* by that amount at 30 June 2016;
- € 11,510 thousand of amounts due from the Treasury to the Sogefi Group, relating to tax receivables for research and development of the French subsidiaries.

#### 7.g. Securities

"Securities" at 30 June 2016 amounted to € 66,026 thousand, compared with € 65,705 thousand at 31 December 2015, and refer mainly to investments in private equity funds and minority shareholdings. These investments were measured at fair value recognising to the fair value reserve an amount, net of tax, of € 13,917 thousand (€ 16,026 thousand at 31 December 2015). During the period, gains for € 4,870 thousand (€ 6,065 thousand in 2015) were realised and booked to item 14.c. "Gains on securities trading".

At 30 June 2016, the residual commitment for investment in private equity funds stood at € 4.9 million.

Certain securities whose fair value is unknown have been recognised at purchase cost.

#### 7.h. Deferred taxes

The amounts relate to taxes resulting from deductible temporary differences and from benefits deriving from tax losses carried forward, which are deemed to be recoverable.

The breakdown of "Deferred tax assets and liabilities" by type of temporary difference is as follows:

<i>(in thousands of euro)</i>	30.06.2016		31.12.2015	
	<i>Total temporary differences</i>	<i>Tax effect</i>	<i>Total temporary differences</i>	<i>Tax effect</i>
<b>Deductible temporary differences from:</b>				
- write-down of current assets	46,922	12,015	45,758	11,996
- write-down of fixed assets	51,385	14,299	51,349	14,368
- revaluation of current liabilities	20,768	5,741	22,645	6,005
- revaluation of personnel provisions	68,938	18,047	61,385	17,030
- revaluation of provisions for risks and losses	70,765	21,877	76,011	23,686
- revaluation of long-term borrowings	--	--	--	--
- write-down of financial instruments	722	173	907	228
- tax losses from previous years	107,551	32,076	105,578	31,434
<b>Total deferred tax assets</b>	<b>367,051</b>	<b>104,228</b>	<b>363,633</b>	<b>104,747</b>
<b>Taxable temporary differences from:</b>				
- revaluation of current assets	10,402	2,514	638	160
- revaluation of fixed assets	451,465	127,571	445,672	125,267
- write-down of current liabilities	50,157	8,033	49,159	7,943
- valuation of personnel provisions	4,872	1,221	5,109	1,335
- write-down of provisions for risks and losses	424	127	424	127
- revaluation of financial instruments	29	9	174	49
<b>Total deferred tax liabilities</b>	<b>517,349</b>	<b>139,475</b>	<b>501,176</b>	<b>134,881</b>
<b>Net deferred taxes</b>		<b>(35,247)</b>		<b>(30,134)</b>

Deferred tax assets have been recognised, at operational sub-group level, with reference to their recoverability based on the related business plans. Prior-year losses not used in the calculation of deferred taxes relate to CIR International for approximately € 432 million, which can be carried forward without any limit, and to other Group companies for € 86 million. No deferred tax assets were calculated for these losses because present conditions are such that there is no certainty that they can be recovered.

The changes in "Deferred tax assets and liabilities" during the period were as follows:

<i>(in thousands of euro)</i>	<i>Balance at 31.12.2015</i>	<i>Use of deferred taxes from prior periods</i>	<i>Deferred taxes generated in the period</i>	<i>Exchange rate differences and other changes</i>	<i>Balance at 30.06.2016</i>
<b>Deferred tax assets:</b>					
- to income statement	84,269	(3,732)	1,223	130	81,890
- to equity	20,478	--	2,587	(727)	22,338
<b>Deferred tax liabilities:</b>					
- to income statement	(112,856)	163	(2,221)	(23)	(114,937)
- to equity	(22,025)	--	(2,748)	235	(24,538)
<b>Net deferred taxes</b>	<b>(30,134)</b>				<b>(35,247)</b>

## 8. Current assets

### 8.a. Inventories

<i>(in thousands of euro)</i>	30.06.2016	31.12.2015
Raw materials, secondary materials and consumables	71,343	69,835
Work in progress and semi-finished goods	16,127	13,888
Finished goods and goods for resale	47,588	50,332
Advance payments	--	--
<b>Total</b>	<b>135,058</b>	<b>134,055</b>

The value of inventories is shown net of any write-downs made either in past years or this period and takes into account the degree of obsolescence of finished goods, goods for resale and secondary materials.

### 8.b. Trade receivables

<i>(in thousands of euro)</i>	30.06.2016	31.12.2015
Receivables - customers	447,997	413,678
Receivables - parent companies	11	--
Receivables - associates	1,395	2,259
<b>Total</b>	<b>449,403</b>	<b>415,937</b>

"Receivables - customers" are interest-free and have an average maturity in line with market conditions.

Trade receivables are shown net of any write-downs that take credit risk into account. During the first half of 2016, accruals were made to the provision for the write-down of receivables for a total of € 2,064 thousand (€ 1,857 during the first half of 2015).

"Receivables - parent companies" represent the amounts due to the Espresso Group by Cofide S.p.A.

### 8.c. Other receivables

<i>(in thousands of euro)</i>	30.06.2016	31.12.2015
Receivables - subsidiaries and joint ventures	465	551
Receivables - associates	104	104
Tax receivables	58,839	51,891
Other receivables	53,500	44,817
<b>Total</b>	<b>112,908</b>	<b>97,363</b>

"Receivables - subsidiaries and joint ventures" refer to the loan granted to Southlands S.r.l. whose assets and liabilities have been reclassified in accordance with IFRS 5. A write-down of € 61 thousand has been made on this loan to adjust its value to the potential selling price of the company.

#### 8.d. Financial receivables

"Financial receivables" rose from € 30,496 thousand at 31 December 2015 to € 28,289 thousand at 30 June 2016. This item includes € 12,469 thousand which relates to the fair value measurement of the Cross Currency Swap contracts designated as hedge accounting, taken out by the Sogefi Group for the purpose of hedging the interest rate and currency risk on the private bond placement of USD 115 million; it also includes € 12,986 thousand of receivables due to the Kos Group by factoring companies for non-recourse assignments.

#### 8.e. Securities

<i>(in thousands of euro)</i>	30.06.2016	31.12.2015
Italian Government securities or similar securities	2,529	2,562
Investment funds and similar funds	31,202	54,162
Bonds	9,181	33,227
Other securities	21,634	31,055
<b>Total</b>	<b>64,546</b>	<b>121,006</b>

The fair value measurement of "Securities" led to a positive adjustment to the income statement of € 1,866 thousand.

#### 8.f. Available-for-sale financial assets

This item totals € 235,398 thousand and refers for € 41,858 thousand to shares in hedge funds and redeemable shares in asset management companies held by CIR International S.A. The degree of liquidity of the investment is a function of the time required for the redemption of the funds, which normally varies from one to three months.

The fair value measurement of these funds involved a total value adjustment of € 5,392 thousand (€ 7,305 thousand at 31 December 2015). The losses realised during the period, € 13 thousand (profit of € 16,679 thousand in the same period of 2015), are classified in item 14.d. "Losses on securities trading".

This item also includes € 193,540 thousand for whole-life insurance and capitalisation policies arranged with leading insurance companies by CIR Investimenti S.p.A., with yields linked to separate managed insurance funds and, in some cases, to unit-linked funds. The net yield during the period was € 1,821 thousand. The measurement of policies with yields deriving from unit-linked funds has resulted in their revaluation by € 101 thousand, net of tax effect.

#### 8.g. Cash and cash equivalents

They fell from € 310,549 thousand at 31 December 2015 to € 268,646 thousand at 30 June 2016.

A breakdown of the changes is given in the statement of cash flows.

#### 8.h. Assets and liabilities held for sale

The amount of "assets held for sale" of € 11,582 thousand refers for € 4,649 thousand to assets of the Espresso group and for € 6,933 thousand to assets of Southlands S.r.l.

The amount of "liabilities held for sale" of € 9,382 thousand refers for € 2,449 thousand to liabilities of the Espresso group and for € 6,933 thousand to liabilities of Southlands S.r.l.

For further information please read section 6 "Notes to the consolidated financial statements".

## 9. Equity

### 9.a. Share capital

The share capital at 30 June 2016 amounts to € 397,146,183.50, the same as at 31 December 2015, and is made up of 794,292,367 shares with a nominal value of € 0.50 each.

At 30 June 2016, the Company held 126,126,637 treasury shares (15.88% of the share capital) for a value of € 180,171 thousand, compared with 108,421,938 treasury shares (13.65% of the share capital) for a value of € 163,267 thousand at 31 December 2015. The net increase was caused by the purchase of 17,849,547 shares less the exercise of stock grants for 144,848 shares.

In application of IAS 32, treasury shares held by the Parent Company are deducted from total equity.

The share capital is fully subscribed and paid up. None of the shares are subject to any rights, privileges or limitations on the distribution of dividends, with the exception of treasury shares.

Note that for a period of five years from 30 June 2014 the Board of Directors was authorised to increase the share capital once or more by a maximum of € 500 million (nominal value) and for a further maximum of € 20 million (nominal value) in favour of employees of the Company, its subsidiaries and parent companies.

The Board of Directors also has the right for a period of five years from 30 June 2014 to issue, on one or more occasions, even with the exclusion of option rights, and in this case in favour of institutional investors, convertible bonds or bonds with warrants, also in foreign currency, if permitted by law, with a corresponding increase in share capital - within the limit of ten percent of the existing share capital if option rights are excluded - up to a maximum amount of € 500 million.

Regarding stock option plans and stock grants, at 30 June 2016 there were 37,403,073 options outstanding, corresponding to an equivalent number of shares.

The "Stock option and stock grant reserve" refers to the notional value of the incentives assigned to employees and agreed after 7 November 2002.

## 9.b. Reserves

The changes and breakdown of "Reserves" are as follows:

<i>(in thousands of euro)</i>	<i>Share premium reserve</i>	<i>Legal reserve</i>	<i>Fair value reserve</i>	<i>Translation reserve</i>	<i>Reserve for treasury shares</i>	<i>Stock option and stock grant reserve</i>	<i>Other reserves</i>	<i>Total reserves</i>
<b>Balance at 31 December 2014</b>	<b>38,145</b>	<b>115,969</b>	<b>18,487</b>	<b>(10,169)</b>	<b>27,283</b>	<b>22,955</b>	<b>94,438</b>	<b>307,108</b>
Increases in capital	--	--	--	--	--	--	--	--
Unclaimed dividends as per Art. 23 of the Articles of Association	--	--	--	--	--	--	--	--
Fair value measurement of hedging instruments	--	--	11,384	--	--	--	--	11,384
Fair value measurement of securities	--	--	596	--	--	--	--	596
Securities fair value reserve released to income statement	--	--	(14,212)	--	--	--	--	(14,212)
Adjustment for treasury share transactions	494	--	--	--	26,928	--	--	27,422
Movements between reserves	--	--	--	--	--	(3,987)	--	(3,987)
Notional cost of stock options credited	--	--	--	--	--	1,789	--	1,789
Effects of equity changes in subsidiaries	--	--	17	30	--	--	378	425
Actuarial gains (losses)	--	--	--	--	--	--	5,807	5,807
Currency translation differences	--	--	1,738	2,266	--	--	--	4,004
<b>Balance at 31 December 2015</b>	<b>38,639</b>	<b>115,969</b>	<b>18,010</b>	<b>(7,873)</b>	<b>54,211</b>	<b>20,757</b>	<b>100,623</b>	<b>340,336</b>
Increases in capital	--	--	--	--	--	--	--	--
Unclaimed dividends as per Art. 23 of the Articles of Association	--	--	--	--	--	--	--	--
Fair value measurement of hedging instruments	--	--	1,028	--	--	--	--	1,028
Fair value measurement of securities	--	--	(3,384)	--	--	--	--	(3,384)
Securities fair value reserve released to income statement	--	--	(537)	--	--	--	--	(537)
Adjustment for treasury share transactions	207	--	--	--	8,852	--	--	9,059
Movements between reserves	--	--	--	--	--	(2,875)	--	(2,875)
Notional cost of stock options credited	--	--	--	--	--	1,038	--	1,038
Effects of equity changes in subsidiaries	--	--	(20)	124	--	--	(50,314)	(50,210)
Actuarial gains (losses)	--	--	--	--	--	--	(6,141)	(6,141)
Currency translation differences	--	--	--	(2,440)	--	--	--	(2,440)
<b>Balance at 30 June 2016</b>	<b>38,846</b>	<b>115,969</b>	<b>15,097</b>	<b>(10,189)</b>	<b>63,063</b>	<b>18,920</b>	<b>44,168</b>	<b>285,874</b>

The "Fair value reserve", net of tax, was positive for € 15,097 thousand and referred (in positive) to the measurement of "Securities" in item 7.g. for € 13,917 thousand and of "Available-for-sale financial assets" in item 8.f. for € 5,493 thousand and (in negative) to the measurement of hedges for € 4,312 thousand and of "Securities" in item 8.e. for € 1 thousand.

The "Translation reserve" had a negative balance of € 10,189 thousand at 30 June 2016 with the following breakdown:

<i>(in thousands of euro)</i>	<i>31.12.2015</i>	<i>Increases</i>	<i>Decreases</i>	<i>30.06.2016</i>
Sogefi Group	(18,196)	--	(1,379)	(19,575)
KOS Group	246	53	--	299
CIR International	10,215	--	(984)	9,231
Other	(138)	--	(6)	(144)
<b>Total</b>	<b>(7,873)</b>	<b>53</b>	<b>(2,369)</b>	<b>(10,189)</b>

"Other reserves" are made up as follows:

<i>(in thousands of euro)</i>	
Reserve for capital increases	3
Statutory reserve	164
Reserve for the difference between the carrying values of investee companies and the respective portions of consolidated equity	44,001
<b>Total</b>	<b>44,168</b>

The changes in treasury shares during the year were as follows:

<i>(in thousands of euro)</i>	<i>Number of shares</i>	<i>Value</i>
Balance at 31 December 2015	108,421,938	163,267
Increases/(decreases)	17,704,699	16,904
<b>Balance at 30 June 2016</b>	<b>126,126,637</b>	<b>180,171</b>

The "increases/decreases" are stated net of the shares assigned following the exercise of stock grant plans.

### 9.c. Retained earnings (losses)

The changes in Retained earnings (losses) are shown in the "Statement of Changes in Equity".

## 10. Non-current liabilities

### 10.a. Bonds

The breakdown of the item "Bonds" is as follows:

<i>(in thousands of euro)</i>	<i>30.06.2016</i>	<i>31.12.2015</i>
Gruppo Editoriale L'Espresso S.p.A. 2.625% 2014/2019 Convertible Bond	81,507	79,497
Sogefi S.p.A. Bond 2013/2023 in USD	88,477	105,302
Sogefi S.p.A. Bond 2013/2020	24,946	24,940
Sogefi S.p.A. 2% 2014/2021 Convertible Bond	80,302	78,627
<b>Total</b>	<b>275,232</b>	<b>288,366</b>

In application of IAS 32 and 39, the original values of bond issues were written down to take into account expenses incurred and issue discounts.

#### 10.b. Other borrowings

<i>(in thousands of euro)</i>	30.06.2016	31.12.2015
Collateralised bank loans	38,203	42,179
Other bank loans	165,777	225,630
Leases	86,532	89,767
Other payables	12,512	14,500
<b>Total</b>	<b>303,024</b>	<b>372,076</b>

This item comprises loans obtained by the Sogefi group of € 100,698 thousand and by the KOS group of € 202,326 thousand.

"Other payables" include € 10,251 thousand relating to the fair value of derivative contracts hedging interest rate risk.

#### 10.c. Personnel provisions

The details of this item are as follows:

<i>(in thousands of euro)</i>	30.06.2016	31.12.2015
Employee leaving indemnity (TFR)	71,443	74,974
Pension funds and similar obligations	60,178	49,504
<b>Total</b>	<b>131,621</b>	<b>124,478</b>

<i>(in thousands of euro)</i>	30.06.2016	31.12.2015
Opening balance	124,478	143,720
Provisions for service during the period	10,891	22,333
Increases for interest	1,377	2,732
Actuarial gains or losses	13,211	(10,529)
Benefits paid	(5,349)	(13,808)
Increases or decreases due to changes in the scope of consolidation	(1,912)	28
Other changes	(11,075)	(19,998)
<b>Closing balance</b>	<b>131,621</b>	<b>124,478</b>

The significant change in "Actuarial gains or losses" reflects the reduction in the discounting rate from 3.9% to 3%.



#### 10.d. Provisions for risks and losses

The breakdown and changes in the non-current part of these provisions are as follows:

<i>(in thousands of euro)</i>	<i>Provision for pending disputes</i>	<i>Provision for restructuring charges</i>	<i>Provision for other risks</i>	<i>Total</i>
Balance at 31 December 2015	12,734	5,194	63,055	80,983
Provisions made during the period	770	161	2,960	3,891
Uses	(562)	(2,406)	(2,073)	(5,041)
Exchange rate differences	4	40	169	213
Other changes	(993)	25	(9)	(977)
<b>Balance at 30 June 2016</b>	<b>11,953</b>	<b>3,014</b>	<b>64,102</b>	<b>79,069</b>

The provision for other risks includes the provision for product warranties allocated by the Sogefi Group to cover claims from two customers relating to the supply from 2010 onwards of a defective part by Sogefi Air & Refroidissement France S.A.S., before, and partly after, its acquisition by the Sogefi Group. In the opinion of the company, the defect was caused by a thermostat at the base of the component that was made by a supplier of Sogefi Air & Refroidissement France S.A.S. In 2012, the company took that supplier to court in France, requesting reimbursement for all indemnities that might be payable to customers.

The lawsuit involved a technical inspection by an expert appointed by the Court. The court appointed an expert in June 2012. Proceedings on the merits have therefore been suspended, pending the expert's report. The expert has established that the origin of the defect relates to the thermostat, which was made by a supplier of Sogefi Air & Refroidissement France S.A.S.

In 2014, the two customers intervened in the proceedings by asking for the expert appraisal also to define the compensation due to them. This request was accepted and the expert's appointment was subsequently extended.

Previously, the two customers had submitted claims for damages out of court. To date, there are no other proceedings pending in which the two customers are involved.

The customers have requested damages, which they estimate at € 122.8 million, mainly related to past and future campaigns, and € 65.9 million for reputational damage and loss of profits.

Based on the proceedings that are currently pending, the Company and its legal counsel believe that the likelihood of a liability as a result of this claim is remote.

With regard to the first request, each claim has been divided with the aim identifying the costs for each production period. Of the € 122.8 million, the Company estimates that € 60.4 million relates to the period prior to the acquisition of Sogefi Air & Refroidissement France S.A.S from the Sogefi Group and € 26.6 million to the 7 months immediately afterwards.

The Company has already settled with the customers through debit notes for a total of € 3 million. In addition, in the first half of 2015, the Company paid € 18.0 million to the two customers. These amounts were paid to these customers by Sogefi Air & Refroidissement France S.A.S. on a provisional basis under standstill agreements, without admission of liability. These amounts will be adjusted and possibly partially reimbursed when the judgement on the issue will be issued.

During 2015, the Company had decided to set aside an additional € 11.8 million in the Provision for product warranties. This amount was reviewed at the end of the first half of 2016, having regard for the developments in the case in progress. The company still considers the provision to be adequate.

In May 2016, Sogefi S.p.A. received the outcome of the international arbitration promoted in relation to Dayco, the seller of Sogefi Air & Refroidissement France S.A.S., for the recovery of costs incurred by Sogefi Air & Refroidissement France S.A.S. subsequent to the acquisition.

Summarising heavily, the arbitration award recognised the general principle that Dayco should indemnify Sogefi for claims relating to production prior to the acquisition of Sogefi Air & Refroidissement France S.A.S. by Sogefi, requiring Dayco to pay € 9.4 million for the claims that have already been settled.

The award however makes Sogefi responsible for any claim payments relating to production subsequent to the acquisition. The company reserves the right to take all appropriate action before the competent authorities.

With reference to the compensation expected from the seller of the shares in Sogefi Air & Refroidissement France S.A.S., it should be noted that in 2011 the Sogefi Group recorded in its consolidated financial statements an indemnification asset of € 23.4 million, having received from the seller, Dayco Europe S.r.l., contractual guarantees relating to defective products outstanding at the date of acquisition, including the one described above.

Based on the outcome of the arbitration, the company has reduced its expected recoveries from Dayco by € 4 million and, therefore, has written down its *indemnification asset* by that amount at 30 June 2016.

Dayco paid the company € 4.9 million in July 2016, being part of the indemnity of € 9.4 million referred to above.

These are complex procedures, which include an assessment of the technical, legal and market aspects; there is considerable uncertainty about what the final decisions by the French court and the arbitration panel will be. The estimate of the risk provision and the recovery of the assets that have been recognised is based on the best information available during preparation of the financial statements. They are subject to evolution over time on the basis of events as they materialise.

The breakdown and changes in the current part of "Provisions for risks and losses" are as follows:

<i>(in thousands of euro)</i>	<i>Provision for pending disputes</i>	<i>Provision for restructuring charges</i>	<i>Provision for other risks</i>	<i>Total</i>
Balance at 31 December 2015	4,683	11,627	55,457	71,767
Provisions made during the period	3	--	2,847	2,850
Uses	(1,355)	(3,715)	(3,865)	(8,935)
Exchange rate differences	--	--	(52)	(52)
Other changes	960	--	102	1,062
<b>Balance at 30 June 2016</b>	<b>4,291</b>	<b>7,912</b>	<b>54,489</b>	<b>66,692</b>

Apart from the libel disputes regarding the Espresso Group, which are typical of all publishing businesses, the provision for disputes pending also covers risks for litigation of a commercial nature and labour suits.

The provision for restructuring charges includes amounts set aside for restructuring plans that have been publicly announced and communicated to the parties concerned and refers in particular to the production reorganisation projects involving companies of the Sogefi and Espresso Groups.

The provision for other risks is mainly to cover tax disputes pending with local tax authorities.

## 11. Current liabilities

### 11.a. Bonds

This item, totalling € 19,990 thousand, includes € 14,802 thousand representing the current portion of the Sogefi S.p.A. Bond 2013/2020 denominated in USD and € 5,188 thousand representing the current portion of the Gruppo Editoriale L'Espresso S.p.A. Bond 2014/2019.

### 11.b. Other borrowings

<i>(in thousands of euro)</i>	30.06.2016	31.12.2015
Collateralised bank loans	6,925	5,758
Other bank loans	135,951	91,232
Leases	9,960	10,252
Other borrowings	41,651	43,074
<b>Total</b>	<b>194,487</b>	<b>150,316</b>

This item relate for € 109,549 thousand to loans within the Sogefi Group, for € 49,237 thousand to loans within the Kos Group and for € 35,119 thousand to loans within the Espresso Group.

### 11.c. Trade payables

<i>(in thousands of euro)</i>	30.06.2016	31.12.2015
Payables - subsidiaries and joint ventures	9	9
Payables - associates	2,058	2,242
Payables - suppliers	439,516	420,992
Advance payments	4,644	4,175
<b>Total</b>	<b>446,227</b>	<b>427,418</b>

### 11.d. Other payables

<i>(in thousands of euro)</i>	30.06.2016	31.12.2015
Due to employees	83,822	73,241
Tax payables	46,042	31,103
Social security payables	38,509	48,690
Other payables	50,264	46,535
<b>Total</b>	<b>218,637</b>	<b>199,569</b>

## NOTES ON THE INCOME STATEMENT

### 12. Revenues

#### ■ BREAKDOWN BY BUSINESS SECTOR

<i>(in millions of euro)</i>	<i>1st half 2016</i>		<i>1st half 2015</i>		<i>Change</i>
	<i>amount</i>	<i>%</i>	<i>amount</i>	<i>%</i>	
Media	292.9	22.2	305.7	23.7	(4.2)
Automotive components	798.6	60.5	763.7	59.2	4.6
Healthcare	227.6	17.3	217.3	16.8	4.7
Other	--	--	4.0	0.3	n.s.
<b>Total consolidated revenues</b>	<b>1,319.1</b>	<b>100.0</b>	<b>1,290.7</b>	<b>100.0</b>	<b>2.2</b>

#### ■ BREAKDOWN BY GEOGRAPHICAL AREA

<i>(in millions of euro)</i>							
<i>1st half 2016</i>	<i>Total revenues</i>	<i>Italy</i>	<i>Other European countries</i>	<i>North America</i>	<i>South America</i>	<i>Asia</i>	<i>Other countries</i>
Media	292.9	292.9	--	--	--	--	--
Automotive components	798.6	54.1	453.6	150.6	73.8	63.5	3.0
Healthcare	227.6	221.8	3.5	--	--	2.3	--
Other	--	--	--	--	--	--	--
<b>Total consolidated revenues</b>	<b>1,319.1</b>	<b>568.8</b>	<b>457.1</b>	<b>150.6</b>	<b>73.8</b>	<b>65.8</b>	<b>3.0</b>
Percentages	100.0%	43.1%	34.7%	11.4%	5.6%	5.0%	0.2%

<i>1st half 2015</i>	<i>Total revenues</i>	<i>Italy</i>	<i>Other European countries</i>	<i>North America</i>	<i>South America</i>	<i>Asia</i>	<i>Other countries</i>
Media	305.7	305.7	--	--	--	--	--
Automotive components	763.7	57.1	441.6	120.9	90.4	50.6	3.1
Healthcare	217.3	212.5	3.5	--	--	1.3	--
Other	4.0	3.2	0.8	--	--	--	--
<b>Total consolidated revenues</b>	<b>1,290.7</b>	<b>578.5</b>	<b>445.9</b>	<b>120.9</b>	<b>90.4</b>	<b>51.9</b>	<b>3.1</b>
Percentages	100.0%	44.8%	34.6%	9.4%	7.0%	4.0%	0.2%

The types of products marketed by the Group and the nature of its business sectors mean that revenue flows are reasonably linear throughout the period and are not subject to any particular cyclical phenomena on a like-for-like basis.

## 13. Operating costs and income

### 13.a. Costs for the purchase of goods

Costs for the purchase of goods increased from € 483,935 thousand in the first half of 2015 to € 498,039 thousand in the same period of 2016. The increase is mainly attributable to the Sogefi Group.

### 13.b. Costs for services

This item went from € 311,972 thousand in the first half of 2015 to € 307,473 thousand in the first half of 2016, as can be seen from the following breakdown:

<i>(in thousands of euro)</i>	<i>1st half 2016</i>	<i>1st half 2015</i>
Services from the Parent Company	--	90
Technical and professional consulting	45,607	41,560
Distribution and transport costs	18,046	20,080
Outsourcing	18,542	23,886
Other expenses	225,278	226,356
<b>Total</b>	<b>307,473</b>	<b>311,972</b>

### 13.c. Personnel costs

Personnel costs amounted to € 363,941 thousand in the first half of 2016 (€ 361,930 thousand in the first half of 2015) and are as follows:

<i>(in thousands of euro)</i>	<i>1st half 2016</i>	<i>1st half 2015</i>
Salaries and wages	253,587	254,177
Social security contributions	81,160	81,350
Employee leaving indemnity	9,647	9,417
Pensions and similar benefits	1,244	1,224
Valuation of stock option plans	2,405	2,268
Other costs	15,898	13,494
<b>Total</b>	<b>363,941</b>	<b>361,930</b>

The average number of employees of the Group in the first half of 2016 was 14,416 (14,003 in the first half of 2015).

### 13.d. Other operating income

This item can be broken down as follows:

<i>(in thousands of euro)</i>	<i>1st half 2016</i>	<i>1st half 2015</i>
State grants	119	513
Capital gains on asset disposals	46	1,700
Miscellaneous gains and other income	11,703	32,510
<b>Total</b>	<b>11,868</b>	<b>34,723</b>

During the first half of 2015, "Miscellaneous gains and other income" included use by the Sogefi Group of provisions for restructuring and product warranties totalling € 18 million.

### 13.e. Other operating expense

This item can be broken down as follows:

<i>(in thousands of euro)</i>	<i>1st half 2016</i>	<i>1st half 2015</i>
Write-downs and losses on receivables	2,055	1,841
Allocations to provisions for risks and losses	4,052	14,359
Indirect taxes	16,173	15,564
Restructuring charges	3,233	1,880
Capital losses on asset disposals	177	285
Miscellaneous losses and other costs	12,204	25,965
<b>Total</b>	<b>37,894</b>	<b>59,894</b>

The decrease is mainly attributable to the Sogefi Group.

"Restructuring charges" relate to the costs involved in the restructuring plans already being implemented by the Sogefi Group.

## 14. Financial income and expense

### 14.a. Financial income

This item is made up of:

<i>(in thousands of euro)</i>	<i>1st half 2016</i>	<i>1st half 2015</i>
Interest income on bank accounts	439	959
Interest on securities	810	1,097
Other interest income	2,765	2,241
Interest rate derivatives	968	2,736
Exchange gains	951	1,607
Other financial income	1	--
<b>Total</b>	<b>5,934</b>	<b>8,640</b>

### 14.b. Financial expense

This item includes the following:

<i>(in thousands of euro)</i>	<i>1st half 2016</i>	<i>1st half 2015</i>
Interest expense on bank accounts	6,414	7,861
Interest expense on bonds	9,979	9,687
Other interest expense	5,413	4,107
Interest rate derivatives	3,050	3,281
Exchange losses	30	67
Other financial expenses	5,512	6,520
<b>Total</b>	<b>30,398</b>	<b>31,523</b>

### 14.c. Gains from trading securities

The breakdown of "Gains from trading securities" is as follows:

<i>(in thousands of euro)</i>	<i>1st half 2016</i>	<i>1st half 2015</i>
Other securities and other gains	5,509	23,431
<b>Total</b>	<b>5,509</b>	<b>23,431</b>

#### 14.d. Losses from trading securities

The breakdown of "Losses from trading securities" is the following:

<i>(in thousands of euro)</i>	<i>1st half 2016</i>	<i>1st half 2015</i>
Shares and options - other companies	--	2,038
Other securities and other losses	538	109
<b>Total</b>	<b>538</b>	<b>2,147</b>

## 15. Income taxes

Income taxes can be broken down as follows:

<i>(in thousands of euro)</i>	<i>1st half 2016</i>	<i>1st half 2015</i>
Current taxes	13,170	18,975
Deferred taxes	3,955	(2,807)
Prior year taxes	(213)	393
<b>Total</b>	<b>16,912</b>	<b>16,561</b>

## 16. Earnings per share

Basic earnings per share is calculated by dividing net income for the period attributable to the ordinary shareholders by the weighted average number of shares in circulation. Diluted earnings per share is calculated by dividing net income for the period attributable to the ordinary shareholders by the weighted average number of ordinary shares in circulation during the period, adjusted for the dilutive effect of outstanding options. Treasury shares are not included in the calculation.

The Company has only one category of potential ordinary shares, those deriving from stock option and stock grant plans assigned to employees.

The dilutive effect that these ordinary shares to be issued or assigned to stock option and stock grant plans will have on earnings per share is not significant.

In calculating the average number of options, the average fair value of the shares for each financial year was used. The average fair value of CIR's ordinary shares in the first half of 2016 amounted to € 0.9689 compared with an average fair value of € 1.0223 in the first half of 2015.

The following chart provides information on the shares used to calculate basic and diluted earnings per share.

### Basic earnings (loss) per share

	1st half 2016	1st half 2015
Net income attributable to the shareholders (in thousands of euro)	25,883	36,402
Weighted average number of ordinary shares in circulation	675,848,633	726,053,726
<b>Basic earnings per share (euro)</b>	<b>0.0383</b>	<b>0.0501</b>

	1st half 2016	1st half 2015
Net income from the statement of comprehensive income attributable to the shareholders (in thousands of euro)	14,508	46,223
Weighted average number of ordinary shares in circulation	675,848,633	726,053,726
<b>Basic earnings per share (euro)</b>	<b>0.0215</b>	<b>0.0637</b>

### Diluted earnings (loss) per share

	1st half 2016	1st half 2015
Net income attributable to the shareholders (in thousands of euro)	25,883	36,402
Weighted average number of ordinary shares in circulation	675,848,633	726,053,726
Weighted average number of options	987,432	2,402,714
No. of shares that could have been issued at fair value	--	(1,887,592)
Adjusted weighted average number of shares in circulation	676,836,065	726,568,848
<b>Diluted earnings (loss) per share (in euro)</b>	<b>0.0382</b>	<b>0.0501</b>

	1st half 2016	1st half 2015
Net income from the statement of comprehensive income attributable to the shareholders (in thousands of euro)	14,508	46,223
Weighted average number of ordinary shares in circulation	675,848,633	726,053,726
Weighted average number of options	987,432	2,402,714
No. of shares that could have been issued at fair value	--	(1,887,592)
Adjusted weighted average number of shares in circulation	676,836,065	726,568,848
<b>Total diluted earnings (loss) per share (euro)</b>	<b>0.0214</b>	<b>0.0636</b>

## 17. Dividends paid

Dividend payments during the first half of 2016 amounted to € 29,464 thousand, being € 0.044 per share.



## 18. Financial risk management: additional disclosures (IFRS 7)

The CIR Group operates in various industry and service sectors, both nationally and internationally, so its business is exposed to various kinds of financial risk, including market risk (exchange rate risk and price risk), credit risk, liquidity risk and interest rate risk.

The Group uses hedging derivatives to minimise certain types of risks.

Risk management is carried out by the central finance and treasury function on the basis of policies approved by top management and communicated to the subsidiaries on 25 July 2003.

### 18.a. Market risk

#### Foreign currency risk

As the Group operates internationally, Sogefi in particular, it is exposed to the risk that fluctuations in exchange rates could affect the fair value of some of its assets and liabilities. The Sogefi Group produces and sells mainly in the Euro Area, but it is subject to foreign currency risk, especially versus the GB pound, Brazilian real, US dollar, Argentine peso, Chinese renminbi and Canadian dollar.

Regarding the exchange rate risk associated with translation of the financial statements of international subsidiaries, the operating companies generally have a high degree of convergence between the currencies of their sourcing costs and their sales revenues, are active both in their own domestic markets and abroad and, if necessary, can arrange funding locally.

### 18.b. Credit risk

Credit risk can be valued both in commercial terms by customer type, contractual terms and sales concentration, and in financial terms by type of counterparty used in financial transactions. There is no significant concentration of credit risk within the Group.

Some time ago adequate policies were put in place to ensure that sales are made to customers of good standing. The counterparties for derivative products and cash transactions are exclusively financial institutions with a high credit rating. The Group has policies that limit credit exposure to individual financial institutions.

Credit risk can vary depending on the business sector concerned. In the "Automotive Components" sector there is no excessive concentration of credit risk since the Original Equipment and After-market distribution channels with which it operates are car manufacturers or large purchasing groups without any particular concentration of risk.

The "Media" sector does not have any significant areas of credit risk and in any event the Group adopts operating procedures that prevent the sale of products or services to customers without an adequate credit profile or collateral.

The "Healthcare" sector has different concentrations of receivables depending on the nature of the activities carried on by the operating companies, as well as by their different target customers, mitigated, however, by the fact that the credit exposure is spread over a large number of counterparties and customers. For example, the concentration of receivables is lower than in the case of management of residential care homes, whose revenues derive more than 50% from the number of guests in the structure and whose receivables recorded in the financial statements from public entities (mainly local health authorities and municipalities) are due from a plurality of subjects. The concentration of receivables is greater than in the case of hospital management (or of diagnostic imaging departments in hospitals) due to the fact that almost all of the revenues derive from a single subject.

The monitoring of credit risk versus customers includes grouping receivables together by type, age, the whether the company is in financial difficulty or is involved in disputes and the existence of legal or insolvency proceedings.

Since 2006 the CIR Group has been acquiring and managing non-performing loans and has put in place procedures for measuring and establishing the fair value of its portfolios.

#### **18.c. Liquidity risk**

Prudent management of liquidity risk implies maintaining sufficient liquidity and negotiable securities and ensuring an adequate supply of credit facilities to ensure adequate funding.

The Group systematically meets its maturities and commitments, and such conduct enables it to operate on the market with the necessary flexibility and reliability to maintain a correct balance between funding and deployment of its financial resources.

The companies heading up the three main business sectors manage their own liquidity risk directly and independently. Tight control is exercised over the net financial position and its movements in the short, medium and long term. In general, the CIR Group follows an extremely prudent financial policy using mainly medium/long-term funding structures. Treasury management is centralised for the operating groups.

#### **18.d. Interest rate risk (fair value and cash flow)**

Interest rate risk depends on fluctuations in market rates, which can cause changes in the fair value of cash flows of financial assets or liabilities.

Interest rate risk mainly concerns long-term bonds issued at a fixed rate, which exposes the Group to the risk of fluctuations in their fair value as interest rates change.

In line with the Group's risk management policies, the Parent Company and the subsidiaries have entered into various IRS contracts with leading financial institutions over the years in order to hedge interest rate risk on their bond issues and bank borrowings.

#### **18.e. Derivatives**

Derivatives are measured at fair value.

For accounting purposes hedging transactions can be classified as:

- fair value hedges, if they are subject to price changes in the market value of the underlying asset or liability;
- cash flow hedges, if they are entered into against the risk of changes in cash flows from an existing asset and liability, or from a future transaction;
- hedges of net investments in foreign operations, if they are entered into to protect against foreign currency risk from the translation of subsidiaries' equity denominated in a currency other than the Group's functional currency.

For derivatives classified as fair value hedges, gains and losses resulting from both the determination of their market value and the adjustment to fair value of the element underlying the hedge are recognised to the income statement.

For instruments classified as cash flow hedges (interest rate swaps), gains and losses from marking them to market are recognised directly to equity for the part which "effectively" hedges the underlying risk, while any "non-effective" part is recognised to the income statement.

For instruments classified as hedges of a net investment in a foreign operation, gains and losses from marking them to market are recognised directly to equity for the part which "effectively" hedges the underlying risk, while any "non-effective" part is recognised to the income statement.

On initial recognition under hedge accounting, derivatives are accompanied by an effective hedging relationship which designates the individual derivative as a hedge and specifies its effectiveness parameters in relation to the financial instrument being hedged.

Hedge effectiveness is tested at regular intervals, with the effective part of the relationship being recognised to equity and the ineffective part, if any, to the income statement. More specifically, the hedge is considered effective when the change in fair value or in the cash flows of the instrument being hedged is "almost entirely" offset by the change in fair value or cash flows of the hedging instrument, and when the results achieved are in a range of 80%-125%.

#### 18.f. Capital ratios

Management modulates the use of leverage to guarantee solidity and flexibility in the capital structure of CIR and its financial holding companies, measuring the ratio of funding sources to investment activity.

#### 18.g. Borrowing conditions

Some of the Group's borrowing agreements contain special clauses which, in the event of failure to comply with certain economic and financial covenants, give the lending banks an option to claim immediate repayment if the company involved does not immediately remedy the infringement of such covenants as required under the terms and conditions of the agreements.

At 30 June 2016 all the contractual clauses relating to medium and long term financial liabilities were fully complied with by the Group.

Below is a summary of the main covenant relating to the borrowings of the operating sub-holding companies outstanding at period end.

##### ► Espresso Group

The Convertible Bond 2014/2019 and related interest payments are not backed by specific guarantees nor are there any covenants or clauses that could trigger early repayment.

##### ► Sogefi Group

The covenants relating to the borrowing outstanding at the end of the first half of 2016 are described below:

- loan of € 60,000 thousand - Intesa Sanpaolo S.p.A.: ratio of consolidated net financial position to consolidated normalised EBITDA of less than or equal to 3.5;
- loan of € 15,000 thousand - Banco do Brasil S.A.: ratio of consolidated net financial position to consolidated normalised EBITDA of less than or equal to 3.5; ratio of consolidated normalised EBITDA to consolidated net financial expenses of not less than 4;
- loan of € 20,000 thousand - Mediobanca S.p.A.: ratio of consolidated net financial position to consolidated normalised EBITDA of less than or equal to 3.5; ratio of consolidated normalised EBITDA to consolidated net financial expenses of not less than 4;
- loan of € 50,000 thousand - Unicredit S.p.A.: ratio of consolidated net financial position to consolidated normalised EBITDA of less than or equal to 3.5; ratio of consolidated normalised EBITDA to consolidated net financial expenses of not less than 4;

- loan of € 55,000 thousand - BNP Paribas S.A.: ratio of consolidated net financial position to consolidated normalised EBITDA of less than or equal to 3.5; ratio of consolidated normalised EBITDA to consolidated net financial expenses of not less than 4;
- loan of € 20,000 thousand - Mediobanca S.p.A.: ratio of consolidated net financial position to consolidated normalised EBITDA of less than or equal to 3.5; ratio of consolidated normalised EBITDA to consolidated net financial expenses of not less than 4;
- loan of € 30,000 thousand - Societe Generale S.A.: ratio of consolidated net financial position to consolidated normalised EBITDA of less than or equal to 3.5; ratio of consolidated normalised EBITDA to consolidated net financial expenses of not less than 4;
- loan of € 30,000 thousand - Ing Bank N.V.: ratio of consolidated net financial position to consolidated normalised EBITDA of less than or equal to 3.5; ratio of consolidated normalised EBITDA to consolidated net financial expenses of not less than 4;
- bond of USD 115,000 thousand: ratio of consolidated net financial position to consolidated normalised EBITDA of less than or equal to 3.5; ratio of consolidated normalised EBITDA to consolidated net financial expenses of not less than 4;
- bond of € 25,000 thousand: ratio of consolidated net financial position to consolidated normalised EBITDA of less than or equal to 3.5; ratio of consolidated normalised EBITDA to consolidated net financial expenses of not less than 4.

At 30 June 2016, these covenant were all respected.

#### ► KOS Group

The Kos Group has undertaken to comply with the following covenant relating to some of its loans:

- a line of credit obtained by the parent company KOS: ratio of consolidated net financial position to consolidated EBITDA of less than 4 and ratio of EBITDA and financial expense of more than 3.5;
- loan obtained by Istituto di Riabilitazione Santo Stefano S.r.l.: ratio of net financial position to EBITDA of less than 4.25;
- loan obtained by Istituto di Riabilitazione Santo Stefano S.r.l.: ratio of net financial position to EBITDA of less than 4;
- loan obtained by Residenze Anni Azzurri S.r.l.: ratio of net financial position to EBITDA of less than 4;
- loan obtained by Medipass S.p.A.: ratio of net financial position to EBITDA of less than 2.6 and ratio of consolidated net financial position to consolidated shareholders' equity of less than 2.2 and a Debt Service Coverage Ratio of more than 1;
- loan obtained by Clearmedi Ltd: *Tangible Net Worth* greater than INR 200 million, *Turnover* greater than INR 275 million and *Gearing* of less than 7.5.

At 30 June 2016, these covenants were all respected.

Certain loan agreements also contain negative pledge, pari passu and change of control clauses, as well as limitations on the distribution of dividends. At the date of preparation of this report there have not been any breaches of these clauses and covenants.

#### 18.h. Measurement of financial assets and liabilities and fair value hierarchy

The fair value of financial assets and liabilities is calculated as follows:

- the fair value of financial assets and liabilities with standard terms and conditions listed on an active market is measured on the basis of prices published on the active market;
- the fair value of other financial assets and liabilities (except for derivatives) is measured using commonly accepted valuation techniques based on analytical models using discounted cash flows, which as variables use prices observable in recent market transactions and broker listed prices for similar instruments;
- the fair value of derivatives that are listed on an active market is measured on the basis of market prices; if no prices are published, different approaches are used according to the type of instrument.

In particular, for the measurement of certain investments in bond instruments with no regular market, i.e. where there is an insufficient number of frequent transactions with a bid-ask spread and a sufficiently limited volatility, the fair value of these instruments is measured principally on the basis of prices supplied by leading international brokers at the company's request. These prices are then validated by comparing them with market prices, even if limited in number, or with prices that are observable for other instruments with similar characteristics.

In measuring investments in private equity funds, fair value is determined on the basis of the NAV communicated by the fund administrators at the reporting date. Where such information is not available at the reporting date, the last official communication is used, though it must not be more than three months old at the reporting date and, if necessary, validated against more recent information made available to investors by the fund administrators.

No transfers were made between the different levels of the fair value hierarchy during the first half of 2016. As far as the financial assets classified as Level 3 are concerned, these are venture capital investments which are measured using some inputs that are not observable on the market. These investments are held by the Group through CIR International for investments in companies operating in the information technology and communication (ITC) sector (for a total of € 707 thousand).

The following table shows changes in financial assets measured at fair value (Level 3) during the period:

<i>(in thousands of euro)</i>				
	FINANCIAL ASSETS			
	<i>Held for trading</i>	<i>Measured at fair value</i>	<i>Available for sale</i>	<i>Hedges</i>
<b>Opening position</b>	--	--	<b>858</b>	--
<b>Increases</b>				
- Purchases	--	--	--	--
- Gains recognised to:				
Income statement (1)	--	--	591	--
- of which gains	--	--	591	--
Equity (2)	--	--	--	--
Transferred from other levels	--	--	--	--
Other increases	--	--	--	--
Reclassifications	--	--	--	--
<b>Decreases</b>				
- Sales	--	--	(589)	--
- Repayments	--	--	--	--
- Losses recognised to:				
Income statement (3)	--	--	--	--
- of which losses	--	--	--	--
Equity (4)	--	--	(150)	--
Transferred from other levels	--	--	--	--
Other decreases	--	--	(3)	--
<b>Closing position</b>	--	--	<b>707</b>	--

(1-3) Increases/decreases in financial assets are recognised to the income statement under the following headings:

- Item 14.c.: Gains from trading securities
- Item 14.d.: Losses from trading securities
- Item 14.e.: Adjustments to the value of financial assets

(2-4) The gains and losses related to changes in fair value are recognised under item 9.b. "Reserves - Fair value reserves" - with the exception of impairment losses which are recognised under item 14.e. "Adjustments to the value of financial assets" until the asset is transferred, at which time the cumulative increases and decreases recorded in the valuation reserves are recognised as gains or losses in items 14.c. "Gains from trading securities" and 14.d. "Losses from trading securities".

## 19. Guarantees and commitments

At 30 June 2016 the position of guarantees and commitments was the following:

### ► CIR and financial holding companies

Commitments for private equity fund investments by CIR International for € 4.9 million.

### ► Espresso Group

At 30 June 2016 the group had outstanding commitments of € 43,226 thousand in relation to:

- contracts for the purchase of plants and other printing equipment for € 591 thousand;
- guarantees given by the Parent Company to the companies involved in the Group VAT return for € 15,382 thousand;
- sureties given for up to € 20 million by the Parent Company in favour of A. Manzoni & C. S.p.A. pursuant to a factoring contract signed with a leading bank;
- other guarantees for € 7,253 thousand, which mainly relate to guarantees in favour of the Parent Company and the subsidiaries Elemedia and Finegil Editoriale, Nord-Est and Nuova Sardegna divisions.

### ► Sogefi Group

#### *Operating leases*

For accounting purposes, leases and rental contracts are classified as operating leases when the following conditions apply:

- a significant part of the risks and benefits of ownership are retained by the lessor;
- there are no bargain purchase options for the asset at the end of the lease;
- the duration of the contract does not cover most of the useful life of the asset being leased or rented;
- at the start of the lease, the present value of the minimum lease payments does not equal the fair value of the leased asset.

Instalment payments for operating leases are booked to the income statement in line with the underlying contracts.

The main operating leases outstanding at 30 June 2016 refer to the following subsidiaries:

- Sogefi (Suzhou) Auto Parts Co. Ltd for the lease of three production sites located in Wujiang, for which the contract terminates in September 2033. At 30 June 2016 the residual instalments amount to € 15,130 thousand, of which € 370 thousand due within one year. The Group has not given any form of guarantee on this contract;

- Sogefi Filtration France S.A. for the lease of the Guyancourt offices. The two contracts terminate in March 2020 and May 2021 respectively; at 30 June 2016 the residual instalments amount to € 2,871 thousand, of which € 778 thousand due within one year. The Group has not given any form of guarantee on this contract;
- Allevard Federn GmbH for the lease of the Volklingen production site. The contract expires in September 2020. The residual instalments at 30 June 2016 amount to € 1,633 thousand, of which € 384 thousand due within one year. The Group has not given any form of guarantee on this contract;
- Sogefi Air & Cooling Canada Corp. for the lease of the Montreal production site. The contract terminates in December 2021 and at 30 June 2016 the residual instalments amount to € 4,513 thousand, of which € 963 thousand due within one year. Against this contract, Sogefi S.p.A. has issued a guarantee for approximately 100% of the residual lease instalments;
- Sogefi Engine Systems Mexico S. de R.L. de C.V. for the lease of the Monterrey production site. The contract terminates in June 2031 and at 30 June 2016 the residual instalments amount to € 20,202 thousand, of which € 805 thousand due within one year. Against this contract, Sogefi S.p.A. has issued a guarantee for approximately 100% of the residual lease instalments;
- Allevard Sogefi U.S.A. Inc. for the lease of the production site in Prichard (West Virginia). The contract terminates in May 2019 and the residual instalments at 30 June 2016 amount to € 1,051 thousand, of which € 366 thousand due within one year. Against this contract, Sogefi S.p.A. has issued a guarantee for approximately 84% of the residual lease instalments. The guarantee is renewed at the end of each year based on the residual amount outstanding. There are no restrictions of any kind connected with this kind of leasing and, at the end of the contract, the US company will have the right to buy the property at its market value.

#### *Investment commitments*

At 30 June 2016 there are binding commitments for investments relating to the purchase of tangible assets of € 3,974 thousand.

#### *Guarantees given*

Details of these guarantees are as follows:

<i>(in thousands of euro)</i>	<i>30.06.2016</i>	<i>31.12.2015</i>
Sureties given to third parties	4,944	4,984
Other unsecured guarantees given to third parties	2,463	2,463
Secured guarantees given for borrowings shown in the financial statements	10,780	8,422

The sureties given in favour of third parties relate to guarantees given to certain customers and for operating lease contracts; sureties are shown at the value of the outstanding commitment as of the reporting date.

"Other unsecured guarantees given to third parties" refer to the commitment of LPDN GmbH to the staff pension fund of the two business divisions at the time of the acquisition in 1996. This commitment is covered by contractual obligations on the part of the vendor, which is a leading German company.



The secured guarantees relate exclusively to the subsidiaries Sogefi Air & Cooling Canada Corp., Allevard IAI Suspensions Private Ltd, United Springs B.V., Sogefi-MNR Engine Systems India Pvt Ltd and Sogefi Filtration do Brasil Ltda which, for the loans obtained, have granted to the lenders secured guarantees over their tangible assets and trade receivables.

#### *Other risks*

At 30 June 2016 the Sogefi Group held assets belonging to third parties on its premises for € 11,779 thousand.

#### ► KOS Group

The following is a breakdown of the bank guarantees and other sureties given by KOS S.p.A. for a total of € 5,925 thousand:

- a guarantee in favour of the Municipality of Sanremo as a security deposit for urbanisation works, for € 225 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the lease of Santegidio S.r.l. (Scarnafigi), for € 100 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Rivarolo property lease, for € 75 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Rivarolo business unit lease, for € 35 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Dormelletto property lease, for € 200 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Dorzano property lease, for € 121 thousand;
- an omnibus guarantee on behalf of Medipass S.p.A. in its relations with the Venice Health Authority, for € 700 thousand;
- a guarantee on behalf of Immobiliare Durini for the rental of offices in Via Durini, for € 46 thousand;
- a guarantee on behalf of Istituto di Riabilitazione S. Stefano for the lease of Villa Rosa for € 314 thousand;
- a guarantee on behalf of Istituto di Riabilitazione S. Stefano for the lease of the building in Ancona for € 309 thousand;
- a guarantee on behalf of Istituto di Riabilitazione S. Stefano for the rent of Ville di Nozzano for € 65 thousand;
- a guarantee on behalf of Residenze Anni Azzurri for the lease of the building in San Faustino for € 1,641 thousand;
- a guarantee on behalf of Residenze Anni Azzurri for the lease of the building in San Faustino 27 for € 2,094 thousand.
- Bank guarantees given by other Group companies for € 10,628 thousand, with the following breakdown:
  - a guarantee given by Residenze Anni Azzurri S.r.l. to guarantee care home lease payments, for € 9,742 thousand;

- a guarantee given by companies of the Istituto di Riabilitazione S. Stefano Group for € 886 thousand;

At 30 June 2016, other commitments and risks amounted to € 8,194 thousand, mainly related to:

- assets on free loan for € 2,030 thousand;
- guarantees issued by Suzzara Hospital in favour of F.lli Montecchi, for € 953 thousand;
- contractual commitments for technology upgrades to equipment, where necessary, for approximately € 1,474 thousand. Given the current status of the contracts, there is no reason to consider this commitment probable;
- counter-guarantee commitments for the successful completion of structural works for € 2,891 thousand.
- third-party commitments to sell for € 229 thousand;
- contractual commitments of around € 617 thousand.

The Group carries on its business activities in premises, some of which are owned, others rented. Lease contracts vary in duration from 3 to 9 years and are generally renewable. Of the 46 care homes for the elderly in operation at the reporting date, 11 are owned, while 8 of the 30 functional and psychiatric rehabilitation facilities are owned (including two residential care homes for the elderly). The other facilities (day hospitals, psychiatric treatment communities, diagnostics departments) are generally leased.

## 20. Information on the business sector

The business sectors coincide with the groups of companies that CIR S.p.A. controls. In detail:

- the Espresso Group: media;
- the Sogefi Group: automotive components;
- the Kos Group: healthcare.

From a geographical point of view, with the exception of the Sogefi Group, business is conducted almost exclusively in Italy.

Income statement and balance sheet information by business segment is provided in the Report on Operations, whereas details of revenues by geographical area (secondary sector) can be found in Note 12.

## 21. Joint ventures

The Group does not hold equity investments in joint ventures at 30 June 2016.

## 22. Net financial position

The net financial position is analysed as follows:

<i>(in thousands of euro)</i>	30.06.2016	31.12.2015
A. Cash and bank deposits	268,646	310,549
B. Other cash equivalents	235,398	251,510
C. Securities held for trading	64,546	121,006
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>568,590</b>	<b>683,065</b>
<b>E. Current financial receivables</b>	<b>28,289</b>	<b>30,496</b>
F. Current bank payables	(*) (165,260)	(116,507)
G. Bonds	(19,990)	(5,011)
H. Current portion of non-current debt	(51,611)	(53,326)
I. Other current borrowings	--	--
<b>J. Current financial debt (F) + (G) + (H) + (I)</b>	<b>(236,861)</b>	<b>(174,844)</b>
<b>K. Current net financial position (J) + (E) + (D)</b>	<b>360,018</b>	<b>538,717</b>
L. Non-current bank borrowings	(**) (203,980)	(267,809)
M. Bonds issued	(275,232)	(288,366)
N. Other non-current payables	(**) (99,044)	(104,267)
<b>O. Non-current financial debt (L) + (M) + (N)</b>	<b>(578,256)</b>	<b>(660,442)</b>
<b>P. Net financial position (K) + (O)</b>	<b>(218,238)</b>	<b>(121,725)</b>

(\*) € 142,876 thousand (€ 165,260 - € 22,384) is classified in the Statement of Financial Position under "Other borrowings".

(\*\*) Classified under "Other borrowings" – Non-current liabilities

## 23. Disputes

Certain Group companies have legal disputes pending, against which their Boards have set aside risk provisions for amounts that are considered appropriate, taking into account the opinion of their consultants regarding the likelihood that significant liabilities will actually occur.

In particular, the Rome Regional Tax Commission filed its judgement no. 64/9/12 on 18 May 2012, on its resumption, with regard to the investigations into 1991 IRPEG and ILOR; these investigations gave rise to the following main findings;

- the Tax Authorities challenged the tax benefits resulting from the reorganisation of the Editoriale L'Espresso Group that followed the break-up of the Mondadori Group (in particular, the benefits arising from the merger of Editoriale La Repubblica S.p.A. with Cartiera di Ascoli S.p.A., which then adopted its name);
- they also challenged the benefits relating to transactions involving beneficial interests in shares with foreign entities, especially those relating to the tax credit on dividends and related withholding taxes, as well as the accrued interest.

As regards the beneficial interest in shares, the Group has been making provisions since 2008, considering that, according to the evolution of the related jurisprudence, the additional taxes assessed and related interest charged were to be considered a "probable risk" (the provisions did not only involve 1991, but also the next three tax years, for which the Tax Authorities challenged the same types of benefits), unlike the penalties for which the risk was considered "possible".

On the first matter, which only concerns 1991, the risk has always been considered "remote", in light of the technical evaluation of items in dispute and the outcome of the various levels of justice. Bear in mind that:

- the facts were first being evaluated by the criminal court for alleged tax fraud and the proceedings were concluded with a judgement of nonsuit by the GUP (the magistrate who presides over the preliminary hearing). This was definitively confirmed by the Court of Appeal on 9 December 1999, fully acquitting all of the directors and statutory auditors;
- the tax assessments of first and second instance were both favourable to the Group, in 1998 and 2000 respectively; subsequently, in 2007 the Supreme Court cancelled the judgement of second instance, referring it to the Regional Tax Commission, though it only decided on procedural matters without affecting the merits of the case in any way.

With this judgement, the Regional Tax Commission upheld the position of the Tax Authorities in relation to the most important item in dispute from an economic point of view, which concerned the corporate restructuring, whereas it dismissed the question concerning beneficial interests. Re-evaluating the situation as of 30 June 2016, this judgement indicates a maximum amount at risk of € 374.3 million (of which additional taxes assessed of € 121.4 million, interest of € 131.4 million and penalties of € 121.4 million): this value comes from the fact that the Tax Authorities did not just deny the tax benefits (deemed not due) based on the higher values recorded on allocation of the "cancellation deficit" as part of the merger process, but - unexpectedly - demanded the immediate and full liability to taxation of this deficit as being devoid of any income value, treating it as though it were a capital gain that had been "realized".

On 27 June 2012 the Company filed an appeal against the judgement of second degree with the Supreme Court and on 28 June 2012 it applied to the Rome Regional Tax Commission for a

suspension of the effects of the judgement pursuant to article 373 of the Code of Civil Procedure; the application has been accepted by the Rome Regional Tax Commission by order filed on 19 July 2012.

Being well aware of the fiscal and statutory legitimacy of the transactions being challenged by the Tax Authorities, also on the basis of technical evaluations obtained from independent professionals, the Group has confirmed its assessment as "probable" of the degree of risk involved in the treatment of beneficial interests in shares (even though successful on this point before the Regional Tax Commission). As a result of the recent and established positions of the Supreme Court, the same level of risk was extended to the penalties, while the risk in relation to corporate restructuring operations, where the Group has been unsuccessful, is considered to be merely "possible".

In this regard, it should be noted that, during 2015, Legislative Decree 128 was issued, which, in addition to having repealed the previous anti-avoidance rule, made changes to the taxpayer's statute (Law 212/2000) providing greater clarity to the tax system by introducing a single definition of abuse of rights and tax avoidance.

For matters relating to the beneficial interests in shares, up to 31 December 2012 the Group had set aside an amount of € 34.2 million (to cover the risks related to the amortisation of the cost incurred for the purchase of the beneficial interest, the tax credit on the dividends, the withholding taxes incurred, the related accrued interest and penalties), with reference to all tax periods assessed. At 30 June 2016, in part following the recognition of € 173 thousand to take account of accrued interest, the related provision totals € 35,286 thousand.

The Sogefi Group is monitoring environmental matters at certain production locations for which no significant costs are expected.

Sogefi Filtration Ltd acquired the assets and liabilities of Filtrauto UK Ltd in 2004, therefore becoming the employer for the purposes of the Filtrauto UK Limited Staff Pension Scheme and Filtrauto UK Limited Works Pension Scheme. These schemes are defined-benefit plans.

Between 1990 and 2006 the employer and the trustees of the above pension schemes obtain professional advice from leading firms regarding the equalisation of the conditions of the schemes, as required by regulatory changes.

It has emerged that such equalisation might not have been applied correctly.

Sogefi Filtration Ltd has therefore presented a protective claim to the Birmingham High Court.

The Court might conclude that the equalisation has been applied properly, or that it is possible to make an adjustment, perhaps resulting in a contingent liability. In this last case, the evidence is considered to support the probability that any liability will be almost entirely recoverable from the advisors.

An initial approximate assessment of the maximum potential liability, before the probable recovery from the advisors, is about € 2 million.

In January 2014 Sogefi S.p.A. received two notices of assessment from the tax authorities that disallowed the tax deductibility for IRES purposes and the related deductibility for VAT purposes of the cost of services provided by CIR S.p.A. in 2009, amounting to € 1.8 million.

Taking account of the opinion expressed by a tax advisor, the directors consider these assessments to be unfounded and inconsistent with the applicable tax regulations. Accordingly, they consider the risk of losing the case to be possible but not probable.

For this reason, Sogefi S.p.A. has not recorded any related tax provisions in the interim financial statements at 30 June 2016.

Note that those assessments have already been discussed by the Provincial Tax Commission with a favourable outcome for the Company.

The Tax Authorities have appealed against this result to the Regional Tax Commission.

During the first half of 2016, Sogefi S.p.A. was subjected to a tax inspection covering the 2011 and 2012 tax years. The report issued following this inspection identified a number of matters (concerning the VAT and direct tax deductibility of services provided by CIR S.p.A.), in relation to which the company has not yet received any assessments.

In 2005, Sogefi S.p.A. requested the Paris Tax Court to rule on the reimbursement of the tax credit (avoir fiscal), net of the 5% withholding tax, due on the dividends paid by the French subsidiaries in 2004, having regard for the changes made to the French tax regulations, which abrogated the right to receive the tax credit from the 2005 tax year. This Court, firstly, and the Paris administrative appeal court, secondly, rejected the claims advanced by Sogefi S.p.A.; the Council of State (following an appeal by the company), by contrast, overturned the above rulings and returned the case to the Administrative Court.

On 2 June 2016, the Paris administrative appeal court notified Sogefi S.p.A. of its ruling that accepts the requests made by the company, recognising the reimbursement of € 3,975 thousand plus interest.

As the counterparties are entitled to appeal against the ruling within two months of the day following the date of its notification, the recognition of the reimbursement as income has been deferred until the outcome of any further appeal that may be filed by the French tax authorities.

## 24. Disclosures regarding share-based incentive plans

### 24.a. Incentive plans for employees at 30 June 2016 (CIR)

The following table shows the incentive plans of the parent company CIR:

CIR - STOCK OPTION PLANS OUTSTANDING AT 30 JUNE 2016

	Options in circulation at start of period		Options granted during the period		Options exercised during the period		Options expired during the period		Options in circulation at end of period			Options exercisable at end of period	
	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Average strike price	Average duration (years)	No. of options	Weighted average strike price
Stock Option Plan 6 September 2005	2,125,000	2.49	-	-	-	-	2,125,000	2.49	-	-	-	-	-
Stock Option Plan 2006 - 1st tranche	2,175,000	2.50	-	-	-	-	-	-	2,175,000	2.50	0.50	2,175,000	2.50
Stock Option Plan 2006 - 2nd tranche	2,175,000	2.47	-	-	-	-	-	-	2,175,000	2.47	1.00	2,175,000	2.47
Extraordinary Stock Option Plan 1st tranche	3,050,000	3.0877	-	-	-	-	-	-	3,050,000	3.0877	1.25	3,050,000	3.0877
Extraordinary Stock Option Plan 2nd tranche	3,050,000	2.7344	-	-	-	-	-	-	3,050,000	2.7344	1.75	3,050,000	2.7344
Extraordinary Stock Option Plan 3rd tranche	3,110,000	1.6806	-	-	-	-	-	-	3,110,000	1.6806	2.25	3,110,000	1.6806
Extraordinary Stock Option Plan 4th tranche	2,203,500	1.0718	-	-	-	-	-	-	2,203,500	1.0718	2.75	2,203,500	1.0718
1st tranche 2009	1,947,800	0.9907	-	-	-	-	-	-	1,947,800	0.9907	3.25	1,947,800	0.9907
2nd tranche 2009	3,136,000	1.5449	-	-	-	-	-	-	3,136,000	1.5449	3.67	3,136,000	1.5449
1st tranche 2010	3,206,000	1.6208	-	-	-	-	-	-	3,206,000	1.6208	4.25	3,206,000	1.6208
2nd tranche 2010	3,128,000	1.4982	-	-	-	-	-	-	3,128,000	1.4982	4.67	3,128,000	1.4982
<b>Total</b>	<b>29,306,300</b>	<b>1.9826</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,125,000</b>	<b>2.49</b>	<b>27,181,300</b>	<b>1.9430</b>	<b>2.63</b>	<b>27,181,300</b>	<b>1.9430</b>

CIR - STOCK GRANT PLANS AT 30 JUNE 2016

	Financial instruments in circulation at start of period		Financial instruments granted during the period		Financial instruments exercised during the period		Financial instruments expired in the period		Financial instruments in circulation at end of period			Financial instruments exercisable at end of period	
	No. of Units	Initial value	No. of Units	Initial value	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of Units	Initial value	Average duration (years)	No. of Units	Initial value
Stock Grant Plan 2011	166,625	1.6391	6,371	1.0560	11,125	1.6391	-	-	161,871	1.6391	4.83	161,871	1.6391
Stock Grant Plan 2012	3,373,145	1.0263	33,290	1.0560	133,723	1.0263	2,426,837	1.0263	845,875	1.0263	5.83	845,875	1.0263
Stock Grant Plan 2013	3,022,453	0.8003	-	-	-	-	-	-	3,022,453	0.8003	6.83	-	-
Stock Grant Plan 2014	1,761,574	1.1300	-	-	-	-	-	-	1,761,574	1.1300	8.01	-	-
Stock Grant Plan 2015	1,680,000	1.0916	-	-	-	-	-	-	1,680,000	1.0916	8.83	-	-
Stock Grant Plans 2015 reserved to the General Manager	1,000,000	1.0940	-	-	-	-	-	-	1,000,000	1.0940	8.83	-	-
Stock Grant Plan 2016	-	-	1,750,000	1.0587	-	-	-	-	1,750,000	1.0587	9.84	-	-
<b>Total</b>	<b>11,003,797</b>	<b>1.0062</b>	<b>1,789,661</b>	<b>1.0586</b>	<b>144,848</b>	<b>1.0734</b>	<b>2,426,837</b>	<b>1.0263</b>	<b>10,221,773</b>	<b>1.0099</b>	<b>7.96</b>	<b>1,007,746</b>	<b>1.1247</b>

#### 24.b. Incentive plans for employees at 30 June 2016 (Espresso Group)

The chart below shows the stock option plans of the Espresso Group:



GRUPPO EDITORIALE L'ESPRESSO - STOCK OPTION PLANS FOR EMPLOYEES AT 30 JUNE 2016

	Options in circulation at start of period		Options granted during the period		Options cancelled/expired during the period		Options exercised during the period		Options in circulation at end of period			Options exercisable at end of period	
	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	Average duration (years)	No. of options	Weighted average strike price
Stock option plan 2006 - 1st tranche	850,000	4.33	--	--	45,000	4.33	--	--	805,000	4.33	0.50	805,000	4.33
Stock option plan 2006 - 2nd tranche	850,000	3.96	--	--	45,000	3.96	--	--	805,000	3.96	1.00	805,000	3.96
Extraordinary stock option plan 2009 - 1st tranche	1,267,500	3.84	--	--	52,500	3.84	--	--	1,215,000	3.84	1.25	1,215,000	3.84
Extraordinary stock option plan 2009 - 2nd tranche	1,267,500	3.60	--	--	52,500	3.60	--	--	1,215,000	3.60	1.75	1,215,000	3.60
Extraordinary stock option plan 2009 - 3rd tranche	1,515,000	2.22	--	--	87,500	2.22	--	--	1,427,500	2.22	2.25	1,427,500	2.22
Extraordinary stock option plan 2009 - 4th tranche	820,950	1.37	--	--	62,750	1.37	--	--	758,200	1.37	2.75	758,200	1.37
Ordinary stock option plan 2009 - 1st tranche	485,150	1.00	--	--	9,600	1.00	--	--	475,550	1.00	3.25	475,550	1.00
Ordinary stock option plan 2009 - 2nd tranche	2,152,200	1.86	--	--	96,200	1.86	--	--	2,056,000	1.86	3.75	2,056,000	1.86
Ordinary stock option plan 2010 - 1st tranche	2,417,500	2.25	--	--	150,000	2.25	--	--	2,267,500	2.25	4.25	2,267,500	2.25
Ordinary stock option plan 2010 - 2nd tranche	2,085,400	1.58	--	--	124,500	1.58	--	--	1,960,900	1.58	4.75	1,960,900	1.58
<b>Total</b>	<b>13,711,200</b>	<b>2.49</b>	<b>--</b>	<b>--</b>	<b>725,550</b>	<b>2.43</b>	<b>--</b>	<b>--</b>	<b>12,985,650</b>	<b>2.50</b>	<b>2.95</b>	<b>12,985,650</b>	<b>2.50</b>

GRUPPO EDITORIALE L'ESPRESSO - STOCK GRANT PLANS FOR EMPLOYEES AT 30 JUNE 2016

	Units in circulation at start of period		Units granted during the period		Units cancelled/expired during the period		Units exercised during the period		Units in circulation at end of period		Units exercisable at end of period	
	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of options	Weighted average strike price
<b>2011</b>												
Time-based units	156,721	1.81	--	--	--	--	6,248	1.81	150,473	1.81	150,473	1.81
Performance-based units	--	--	--	--	--	--	--	--	--	--	--	--
<b>2012</b>												
Time-based units	452,335	0.98	--	--	--	--	74,679	0.98	377,656	0.98	377,656	0.98
Performance-based units	494,367	0.98	--	--	325,750	0.98	16,565	0.98	152,052	0.98	152,052	0.98
<b>2013</b>												
Time-based units	625,620	0.83	--	--	66,248	0.83	96,565	0.83	462,807	0.83	250,972	0.83
Performance-based units	625,620	0.83	--	--	66,248	0.83	96,565	0.83	462,807	0.83	250,972	0.83
<b>2014</b>												
Time-based units	725,000	1.70	--	--	94,062	1.70	17,500	1.70	613,438	1.70	73,131	1.70
Performance-based units	725,000	1.70	--	--	94,062	1.70	--	--	630,938	1.70	--	--
<b>2015</b>												
Time-based units	710,000	1.24	--	--	57,500	1.24	--	--	652,500	1.24	--	--
Performance-based units	710,000	1.24	--	--	57,500	1.24	--	--	652,500	1.24	--	--
<b>2016</b>												
Time-based units	--	--	657,500	0.95	--	0.00	--	--	657,500	0.95	--	--
Performance-based units	--	--	657,500	0.95	--	0.00	--	--	657,500	0.95	--	--

#### 24.c. Incentive plans for employees at 30 June 2016 (Sogefi Group)

The following table shows the total number of options outstanding with respect to the stock grant plans for the period 2011-2016:

	30 June 2016	31 December 2015
Not exercised/not exercisable at the start of the year	1,877,872	2,024,255
Granted in the period	500,095	441,004
Cancelled in the period	(670,380)	(409,398)
Exercised in the period	(334,871)	(177,989)
Not exercised/not exercisable at the end of the period	1,372,716	1,877,871
Exercisable at the end of the period	144,261	391,558

The following table shows the total number of options outstanding and refers to the plans of the period 2006-2010 with their average strike price:

	30 June 2016	
	No. of options	Average strike price
Not exercised/not exercisable at the start of the year	4,190,737	3.16
Granted in the period	--	--
Cancelled in the period	(110,000)	2.30
Exercised in the period	(100,000)	1.04
Not exercised/not exercisable at the end of the period	3,980,737	3.24
Exercisable at the end of the period	3,980,737	3.24

The line "Not exercised/not exercisable at the end of the period" refers to the total amount of the options net of those exercised or cancelled during the current or prior years.

The line "Exercisable at the end of the period" refers to the total amount of the options vested at the end of the year but not yet exercised.

The following table gives a breakdown of the number of phantom stock options at 30 June 2016:

	30 June 2016
Not exercised/not exercisable at the start of the year	840,000
Granted in the period	--
Cancelled in the period	--
Exercised in the period	--
Not exercised/not exercisable at the end of the period	840,000
Exercisable at the end of the period	840,000

#### 24.d. Incentive plans for employees at 30 June 2016 (KOS Group)

The following table shows the stock option plans of the KOS Group:

KOS - STOCK OPTION PLANS AT 30 JUNE 2016

	Options in circulation at start of period		Options granted during the period		Options exercised during the period		Options expired during the period		Options in circulation at end of period			Options exercisable at end of period		Expiry date	
	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	Number	No. of options	Average duration (years)	No. of options	Weighted average strike price	Vesting date (100%)	Expiry date
Stock Option Plan 2007	420,000	3.40	--	--	420,000	3.40	--	--	--	--	--	--	--		
Stock Option Plan 2010	4,070,000	3.75	--	--	2,408,917	3.75	1,661,083	3.75	--	--	--	--	--		
Stock Warrants Plan 2010	635,000	3.75	--	--	--	--	635,000	3.75	--	--	--	--	--		
Stock Option Plan 2016	--	--	1,500,000	7.28	--	--	--	--	1,500,000	7.08	16.9	--	--	17/05/2023	17/05/2033
Stock Plan 2010 rev	--	--	1,661,063	3.75	--	--	--	--	1,661,063	3.52	16.9	1,661,063	3.52	31/12/2014	17/05/2033
<b>Total</b>	<b>5,125,000</b>	<b>3.72</b>	<b>3,161,063</b>	<b>5.42</b>	<b>2,828,917</b>	<b>3.70</b>	<b>2,296,083</b>	<b>3.75</b>	<b>3,161,063</b>	<b>5.21</b>	<b>16.9</b>	<b>1,661,063</b>	<b>3.52</b>		

## 25. Subsequent events

Regarding subsequent events, please refer to the appropriate paragraph of the interim report on operations. Note that the interim report, of which the interim financial statements at 30 June 2016 is an integral part, was approved by the Board of Directors on 29 July 2016.

## 26. Significant non-recurring events and atypical and/or unusual transactions

No non-recurring items have been included in the operating result for the period.  
Nor have any atypical and/or unusual transactions taken place.

## 27. Related party transactions

Information regarding the impact that related party transactions have on the financial and equity situation and on the result for the period are provided in the comment on the individual items of the financial statements.  
The section "Other information" in the interim report on operations shows the various types of transactions with related parties, whereas the amounts involved are shown in the notes.  
The following chart gives a summary of transactions with related parties:

## CONSOLIDATED INCOME STATEMENT - Related-party transactions

<i>(in thousands of euro )</i>	<i>Sales revenues</i>	<i>Costs for the purchase of</i>	<i>Costs for services</i>	<i>Other operating expense</i>	<i>Other operating income</i>	<i>Financial income</i>	<i>Financial expense</i>	<i>Dividends</i>
Parent companies	--	--	--	--	19	--	--	--
Subsidiaries	--	--	--	--	--	18	--	--
Associates	--	--	(2,703)	--	784	1	--	--
Joint ventures	--	--	--	--	--	--	--	--
Other related parties	--	--	--	--	50	--	--	--
<b>Total</b>	--	--	(2,703)	--	853	19	--	--

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION - Related-party transactions

<i>(in thousands of euro )</i>	<i>Non-current assets</i>	<i>Current assets</i>		<i>Non-current liabilities</i>	<i>Current liabilities</i>		
	<i>Other receivables</i>	<i>Trade receivables</i>	<i>Other receivables</i>	<i>Other borrowings</i>	<i>Other borrowings</i>	<i>Trade payables</i>	<i>Other payables</i>
Parent companies	--	11	--	--	--	--	--
Subsidiaries	--	--	465	--	--	9	--
Associates	2,693	1,395	104	--	--	2,058	--
Joint ventures	--	--	--	--	--	--	--
Other related parties	--	--	--	--	--	--	--
<b>Total</b>	2,693	1,406	569	--	--	2,067	--

## 28. Key figures from the 2015 financial statements of the Parent Company, Cofide S.p.A. (Art. 2497- bis para. 4 of the Civil Code)

### STATEMENT OF FINANCIAL POSITION (in euro)

ASSETS	31.12.2015
NON-CURRENT ASSETS	596,841,958
CURRENT ASSETS	12,301,267
TOTAL ASSETS	609,143,225
LIABILITIES AND EQUITY	
EQUITY	556,604,759
NON-CURRENT LIABILITIES	50,367,100
CURRENT LIABILITIES	2,171,366
TOTAL LIABILITIES AND EQUITY	609,143,225

### INCOME STATEMENT (in euro)

	%(**)	2015
SUNDRY REVENUES AND INCOME		411,191
<i>of which: sundry revenues and income with related parties (*)</i>	365,000 88.77%	
COSTS FOR THE PURCHASE OF GOODS		(26,621)
COSTS FOR SERVICES		(1,456,917)
<i>of which: from related parties (*)</i>	(268,400) 18.24%	
PERSONNEL COSTS		(176,380)
OTHER OPERATING EXPENSE		(445,823)
AMORTISATION, DEPRECIATION & WRITE-DOWNS		(44,155)
EBIT		(1,738,705)
FINANCIAL INCOME		54,884
FINANCIAL EXPENSE		(1,647,444)
DIVIDENDS		--
<i>of which: from related parties (*)</i>	-- --	
GAINS FROM TRADING SECURITIES		463,482
<i>of which: from related parties (*)</i>	-- --	
LOSSES FROM TRADING SECURITIES		--
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		(728,391)
INCOME / (LOSS) BEFORE TAXES		(3,596,174)
INCOME TAXES		--
NET INCOME (LOSS) FOR THE YEAR		(3,596,174)

(\*) As per Consob Resolution no. 6064293 of 28 July 2006

(\*\*) Percentage of the whole

The key figures of the parent company COFIDE S.p.A. shown in the summary table above, as required by article 2497-bis of the Civil Code, are taken from its financial statements for the year ended 31 December 2015. For a correct and complete understanding of the financial position of COFIDE S.p.A. at 31 December 2015 and of its result for the year ended on that date, reference should be made to its financial statements accompanied by the reports of the statutory auditors and of the independent auditors, which are available at the Company's registered office and at the offices of Borsa Italiana.

CERTIFICATION OF THE SEMI-ANNUAL INTERIM FINANCIAL REPORT AS OF 30 JUNE 2016  
IN ACCORDANCE WITH ART. 154 BIS OF D. LGS 58/98

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1. The undersigned, Monica Mondardini, as Chief Executive Officer and Giuseppe Gianoglio as executive responsible for the preparation of the financial statements of CIR S.p.A., hereby certify, also taking into account the provision of Art. 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
  - the appropriateness, in relation to the characteristics of the business, and
  - effective application of the administrative and accounting procedures for the preparation of the Semi-annual Interim Financial Report as of 30 June 2016, during the course of period 1 January 2016 – 30 June 2016.
2. On this subject no aspects emerged that needed to be notified.
3. We also certify that the consolidated financial statements as of 30 June 2016:
  - are prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
  - agree with the balances on the books of account and accounting entries;
  - are able to give a true and fair view of the financial position, results and cash flows of the issuer.

The Semi-annual report on operation as of 30 June 2016 includes a reliable analysis of the Company's performance and results of operations, as well as the general situation of the issuer, together with a description of the principal risks and uncertainties to which it is exposed.

Milan, 29 July 2016

Signed by:

Monica Mondardini  
Chief Executive Officer

Giuseppe Gianoglio  
Executive responsible for the preparation  
of the company's financial statements





## **CIR GROUP**

### **SEPARATE FINANCIAL STATEMENTS AS OF 30 JUNE 2016**

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STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF CASH FLOWS

STATEMENT OF CHANGES IN EQUITY

# 1. Statement of financial position

(in euro)

ASSETS		%(**)	30.06.2016		%(**)	31.12.2015
<b>NON-CURRENT ASSETS</b>			<b>986,964,793</b>			<b>999,669,642</b>
INTANGIBLE ASSETS			69,765			75,054
TANGIBLE ASSETS			1,861,011			1,831,677
INVESTMENT PROPERTY			14,764,662			14,923,851
EQUITY INVESTMENTS			830,587,829			896,131,076
OTHER RECEIVABLES			122,448,075			80,213,909
of which with related parties (*)	121,763,651	99.4		79,694,486	99.4	
SECURITIES			10,000,000			--
DEFERRED TAXES			7,233,451			6,494,075
<b>CURRENT ASSETS</b>			<b>32,308,698</b>			<b>60,970,785</b>
OTHER RECEIVABLES			22,340,041			38,584,550
of which with related parties (*)	2,123,857	9.5		21,377,713	55.4	
CASH AND CASH EQUIVALENTS			9,968,657			22,386,235
<b>TOTAL ASSETS</b>			<b>1,019,273,491</b>			<b>1,060,640,427</b>
<b>LIABILITIES AND EQUITY</b>		%(**)	30.06.2016		%(**)	31.12.2015
<b>EQUITY</b>			<b>980,009,422</b>			<b>1,008,152,042</b>
SHARE CAPITAL ISSUED			397,146,184			397,146,184
less TREASURY SHARES			(63,063,319)			(54,210,969)
SHARE CAPITAL			334,082,865			342,935,215
RESERVES			399,175,313			391,952,558
RETAINED EARNINGS (LOSSES)			229,357,307			281,654,376
NET INCOME (LOSS) FOR THE YEAR			17,393,937			(8,390,107)
<b>NON-CURRENT LIABILITIES</b>			<b>1,144,740</b>			<b>1,026,000</b>
PERSONNEL PROVISIONS			1,144,740			1,026,000
<b>CURRENT LIABILITIES</b>			<b>38,119,329</b>			<b>51,462,385</b>
BANK OVERDRAFTS			--			19
OTHER PAYABLES			26,262,967			39,417,653
of which to related parties (*)	14,615,739	55.7		30,328,905	76.9	
PROVISIONS FOR RISKS AND LOSSES			11,856,362			12,044,713
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>1,019,273,491</b>			<b>1,060,640,427</b>

(\*) As per Consob Resolution no. 6064293 of 28 July 2006

(\*\*) Percentage of the whole

## 2. Income Statement

(in euro)

		%(**)	1 st half 2016		%(**)	1 st half 2015
SUNDRY REVENUES AND INCOME			1,194,622			1,414,319
<i>of which sundry revenues and income with related parties (*)</i>	903,792	75.7		1,093,138	77.3	
COSTS FOR SERVICES			(6,224,011)			(2,861,882)
<i>of which from related parties (*)</i>	--	--		(90,000)	3.1	
PERSONNEL COSTS			(2,920,234)			(2,955,193)
OTHER OPERATING EXPENSE			(985,950)			(661,121)
AMORTISATION, DEPRECIATION & WRITE-DOWNS			(322,107)			(320,891)
<b>EBIT</b>			<b>(9,257,680)</b>			<b>(5,384,768)</b>
FINANCIAL INCOME			907,093			2,225,154
<i>of which with related parties (*)</i>	883,151	97.4		2,124,422	95.5	
FINANCIAL EXPENSE			(13,369)			(11,683)
DIVIDENDS			22,470,023			9,907,024
<i>of which from related parties (*)</i>	20,720,743	92.2		9,702,864	97.9	
GAINS FROM TRADING SECURITIES			--			--
LOSSES FROM TRADING SECURITIES			--			--
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			--			(1,166,000)
<b>INCOME (LOSS) BEFORE TAXES</b>			<b>14,106,067</b>			<b>5,569,727</b>
INCOME TAXES			3,287,870			1,146,414
<b>NET INCOME/(LOSS) FOR THE PERIOD</b>			<b>17,393,937</b>			<b>6,716,141</b>
<b>BASIC EARNINGS PER SHARE (in euro)</b>			0.0257			0.0093
<b>DILUTED EARNINGS PER SHARE (in euro)</b>			0.0257			0.0092

(\*) As per Consob Resolution no. 6064293 of 28 July 2006

(\*\*) Percentage of the whole

### 3. Statement of Comprehensive Income

(in euro)

	1st half 2016	1st half 2015
Net income for the period	17,393,937	6,716,141
Other components of comprehensive income	--	--
Items of other comprehensive income for the period, net of tax	--	--
<b>TOTAL STATEMENT OF COMPREHENSIVE INCOME OF THE PERIOD</b>	<b>17,393,937</b>	<b>6,716,141</b>
 BASIC COMPREHENSIVE EARNINGS PER SHARE (in euro)	 0.0257	 0.0093
DILUTED COMPREHENSIVE EARNINGS PER SHARE (in euro)	0.0257	0.0092

## 4. Statement of cash flows

(in euro)

	1st half 2016	1st half 2015
<b>OPERATING ACTIVITY</b>		
NET INCOME FOR THE PERIOD	17,393,937	6,716,141
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & WRITEDOWNS	322,107	320,891
ACTUARIAL VALUATION OF STOCK OPTION PLANS	1,038,223	932,313
ALLOCATION TO PERSONNEL PROVISIONS	87,865	96,989
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	--	1,166,000
(INCREASE) DECREASE IN NET WORKING CAPITAL	1,220,430	(3,050,681)
<i>of which with related parties</i>	<i>3,540,690</i>	<i>(774,310)</i>
<b>CASH FLOW FROM OPERATING ACTIVITY</b>	<b>20,062,562</b>	<b>6,181,653</b>
of which:		
- interest received (paid)	71,980	242,855
- dividends received	22,470,023	9,907,024
- income tax receipts (payments)*	3,417,161	2,382,094
<b>INVESTING ACTIVITY</b>		
(PURCHASE) SALE OF CURRENT SECURITIES	--	--
(PURCHASE) SALE OF FIXED ASSETS	55,356,284	(81,860,306)
<b>CASH FLOW FROM INVESTMENT ACTIVITY</b>	<b>55,356,284</b>	<b>(81,860,306)</b>
<b>FINANCING ACTIVITY</b>		
REPAYMENT (GRANTING) OF LOANS TO SUBSIDIARIES	(41,210,000)	75,350,000
BUY-BACK OF OWN SHARES	(17,110,866)	(27,936,567)
DIVIDENDS PAID	(29,463,914)	--
OTHER CHANGES	(51,625)	(125,073)
<b>CASH FLOW FROM FINANCING ACTIVITY</b>	<b>(87,836,405)</b>	<b>47,288,360</b>
<b>INCREASE (DECREASE) IN NET CASH &amp; CASH EQUIVALENTS</b>	<b>(12,417,559)</b>	<b>(28,390,293)</b>
<b>NET CASH AND CASH EQUIVALENTS - OPENING BALANCE</b>	<b>22,386,216</b>	<b>47,232,042</b>
<b>NET CASH AND CASH EQUIVALENTS - CLOSING BALANCE</b>	<b>9,968,657</b>	<b>18,841,749</b>

\* The amounts refer to the current tax assets received as a result of the tax consolidation.

## 5. Statement of changes in equity

(in euro)

	Share capital issued	less treasury shares	Share capital	Reserves	Retained earnings (losses)	Net income for the period	Total
BALANCE AT 31 DECEMBER 2014	397,146,184	(27,282,907)	369,863,277	366,729,209	358,854,045	(27,376,456)	1,068,070,075
Increases in capital	--	--	--	--	--	--	--
Dividends to Shareholders	--	--	--	--	--	--	--
Retained earnings	--	--	--	--	(27,376,456)	27,376,456	--
Unclaimed dividends as per Art. 23 of the Articles of Association	--	--	--	--	--	--	--
Adjustment for treasury share transactions	--	(26,928,062)	(26,928,062)	27,421,564	(53,810,451)	--	(53,316,949)
Notional cost of stock options and stock grants credited	--	--	--	1,789,023	--	--	1,789,023
Movements between reserves	--	--	--	(3,987,238)	3,987,238	--	--
Result for the period	--	--	--	--	--	(8,390,107)	(8,390,107)
BALANCE AT 31 DECEMBER 2015	397,146,184	(54,210,969)	342,935,215	391,952,558	281,654,376	(8,390,107)	1,008,152,042
Increases in capital	--	--	--	--	--	--	--
Dividends to Shareholders	--	--	--	--	(29,463,914)	--	(29,463,914)
Retained earnings	--	--	--	--	(8,390,107)	8,390,107	--
Unclaimed dividends as per Art. 23 of the Articles of Association	--	--	--	--	--	--	--
Adjustment for treasury share transactions	--	(8,852,350)	(8,852,350)	9,059,264	(17,317,780)	--	(17,110,866)
Notional cost of stock options and stock grants credited	--	--	--	1,038,223	--	--	1,038,223
Movements between reserves	--	--	--	(2,874,732)	2,874,732	--	--
Result for the period	--	--	--	--	--	17,393,937	17,393,937
BALANCE AT 30 JUNE 2016	397,146,184	(63,063,319)	334,082,865	399,175,313	229,357,307	17,393,937	980,009,422

## LIST OF EQUITY INVESTMENTS

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AS OF 30 JUNE 2016

Persuant to Art. 38.2 Italian Legislative Decree 127/91



## SUBSIDIARIES CONSOLIDATED USING THE FULL LINE-BY-LINE METHOD

(in euro or foreign currency)

Name of Company	Registered office	Share capital	Currency	Parent Company	% of ownership
<b>CIR GROUP</b>					
CIR INTERNATIONAL S.A.	Luxembourg	15,000,000.00	€	CIR S.p.A.	100.00
CIRINVEST S.r.l.	Italy	119,764.00	€	CIR S.p.A.	100.00
CIGA LUXEMBOURG S.à.r.l.	Luxembourg	1,000,000.00	€	CIR S.p.A.	100.00
NEXENTI ADVISORY S.r.l.	Italy	100,000.00	€	CIR S.p.A.	100.00
NEXENTI S.r.l.	Italy	50,000.00	€	CIR S.p.A.	100.00
JUPITER MARKETPLACE S.r.l.	Italy	100,000.00	€	NEXENTI S.r.l.	100.00
CIR INVESTIMENTI S.p.A.	Italy	12,426,162.00	€	CIR S.p.A.	100.00
INSTITUT D'ÉCOLE PRIMAIRE LÉMAN S.A. (In liquidazione)	Switzerland	3,695,000.00	Chf	CIR S.p.A.	94.59
SOUTHLANDS S.r.l.	Italy	50,000.00	€	CIR S.p.A.	71.43
				INSTITUT D'ÉCOLE PRIMAIRE LÉMAN S.A.	28.57
					100.00
<b>ESPRESSO GROUP</b>					
GRUPPO EDITORIALE L'ESPRESSO S.p.A. (*)	Italy	61,805,893.20	€	CIR S.p.A.	53.58
FINEGIL EDITORIALE S.p.A.	Italy	128,798,515.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	99.78
S.E.T.A. S.p.A.	Italy	774,750.00	€	FINEGIL EDITORIALE S.p.A.	71.00
A. MANZONI & C. S.p.A.	Italy	15,000,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
ROTOCOLOR S.p.A.	Italy	23,000,000.00	€	FINEGIL EDITORIALE S.p.A.	100.00
SOMEDIA S.p.A.	Italy	677,608.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
ELEMEDIA S.p.A.	Italy	25,000,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
MO-NET S.r.l.	Italy	35,800.00	€	ELEMEDIA S.p.A.	83.00
<b>SOGEFI GROUP</b>					
SOGEFI S.p.A. (**)	Italy	61,630,948.60	€	CIR S.p.A.	55.98
SOGEFI REJINA S.p.A.	Italy	21,978,316.00	€	SOGEFI S.p.A.	99.88
SOGEFI FILTRATION FRANCE S.A. (già FILTRAUTO S.A.)	France	5,750,000.00	€	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION Ltd	UK	5,126,737.00	£GBP	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION S.A.	Spain	14,249,084.96	€	SOGEFI S.p.A.	86.08
				SOGEFI FILTRATION FRANCE S.A.	13.92
					100.00
SOGEFI FILTRATION d.o.o.	Slovenia	10,291,798.00	€	SOGEFI S.p.A.	100.00
SOGEFI SUSPENSIONS FRANCE S.A. (già ALLEVARDO REJNA AUTOSUSPENSIONS S.A.)	France	34,000,000.00	€	SOGEFI S.p.A.	99.99
SOGEFI GESTION S.A.S. (già SOGEFI PURCHASING S.A.S.)	France	100,000.00	€	SOGEFI S.p.A.	100.00
ALLEVARDO SOGEFI U.S.A. Inc.	United States	20,055,000.00	\$USA	SOGEFI S.p.A.	100.00
SOGEFI AIR & REFRIGERATION FRANCE S.A.S. (già SYSTÈMES MOTEURS S.A.S.)	France	54,938,125.00	€	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION DO BRASIL Ltda	Brazil	51,507,374.00	Real	SOGEFI FILTRATION S.A.	99.99
				ALLEVARDO MOLAS DO BRAZIL Ltda	0.01
					100.00
SOGEFI FILTRATION ARGENTINA S.A.	Argentina	57,235,407.00	Pesos	SOGEFI FILTRATION DO BRASIL Ltda	94.25
				SOGEFI FILTRATION FRANCE S.A.	5.17
				SOGEFI REJINA S.p.A.	0.57
					99.99
SHANGHAI SOGEFI AUTO PARTS Co., Ltd	China	13,000,000.00	\$USA	SOGEFI S.p.A.	100.00
SOGEFI (SUZHOU) AUTO PARTS CO., Ltd	China	37,400,000.00	\$USA	SOGEFI S.p.A.	100.00

(\*) 56.51 % net of own shares held as treasury stock

(\*\*) 57.39 % net of own shares held as treasury stock

(in euro or foreign currency)

<i>Name of Company</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Parent Company</i>	<i>% of ownership</i>
ALLEVARD SPRINGS Ltd	UK	4,000,002.00	£GBP	SOGEFI SUSPENSIONS FRANCE S.A.	100.00
ALLEVARD FEDERN GmbH	Germany	50,000.00	€	SOGEFI SUSPENSIONS FRANCE S.A.	100.00
ALLEVARD REJNA ARGENTINA S.A.	Argentina	48,858,410.00	Pesos	SOGEFI SUSPENSIONS FRANCE S.A.	90.19
				ALLEVARD MOLAS DO BRAZIL Ltda	9.80
					99.99
IBERICA DE SUSPENSIONES S.L. (ISSA)	Spain	10,529,668.00	€	SOGEFI SUSPENSIONS FRANCE S.A.	50.00
ALLEVARD MOLAS DO BRAZIL Ltda	Brazil	37,161,683.00	Real	SOGEFI SUSPENSIONS FRANCE S.A.	99.99
				ALLEVARD SPRINGS Co. Ltd	0.01
					100.00
UNITED SPRINGS Ltd	UK	4,500,000.00	£GBP	SOGEFI SUSPENSIONS FRANCE S.A.	100.00
UNITED SPRINGS B.V.	Netherlands	254,979.00	€	SOGEFI SUSPENSIONS FRANCE S.A.	100.00
SHANGHAI ALLEVARD SPRING Co. Ltd	China	5,335,308.00	€	SOGEFI SUSPENSIONS FRANCE S.A.	60.58
UNITED SPRINGS S.A.S.	France	5,109,000.00	€	SOGEFI SUSPENSIONS FRANCE S.A.	100.00
LUHN & PULVERMACHER – DITTMANN & NEUHAUS GmbH	Germany	50,000.00	€	ALLEVARD FEDERN GmbH	100.00
S.ARA COMPOSITE S.A.S.	France	11,500,000.00	€	SOGEFI SUSPENSIONS FRANCE S.A.	95.65
SOGEFI M.N.R. ENGINE SYSTEMS INDIA Pvt Ltd	India	21,254,640.00	Inr	SOGEFI SUSPENSIONS FRANCE S.A.	45.00
				SOGEFI AIR & REFROIDISSEMENT FRANCE S.A.S.	24.98
				SYSTEMES MOTEURS CHINA S.à.r.l.	0.02
					70.00
ALLEVARD IAI SUSPENSIONS Pvt. Ltd	India	340,000,000.00	Inr	SOGEFI SUSPENSIONS FRANCE S.A.	74.23
SOGEFI AIR & COOLING CANADA CORP. (già SOGEFI ENGINE SYSTEMS CANADA CORP.)	Canada	39,393,000.00	Cad	SOGEFI AIR & REFROIDISSEMENT FRANCE S.A.S.	100.00
SOGEFI AIR & COOLING USA Inc. (già SOGEFI ENGINE SYSTEMS USA Inc.)	United States	100.00	\$USA	SOGEFI AIR & REFROIDISSEMENT FRANCE S.A.S.	100.00
SYSTÈMES MOTEURS CHINA S.à.r.l.	Luxembourg	12,500.00	€	SOGEFI AIR & REFROIDISSEMENT FRANCE S.A.S.	100.00
SOGEFI ENGINE SYSTEMS MEXICO S.DE R.L.DE C.V.	Mexico	3,000.00	Mxn	SOGEFI AIR & COOLING CANADA CORP.	99.97
				SOGEFI AIR & REFROIDISSEMENT FRANCE S.A.S.	0.03
					100.00
S.C. SOGEFI AIR & COOLING (già S.C. SYSTÈMES MOTEURS S.r.l.)	Romania	7,087,610.00	Ron	SOGEFI AIR & REFROIDISSEMENT FRANCE S.A.S.	99.99
				SOGEFI FILTRATION S.A.	0.01
					100.00
SOGEFI ENGINE SYSTEMS HONG KONG Ltd	Hong Kong	1,000.00	Hkd	SYSTÈMES MOTEURS CHINA S.à.r.l.	100.00

(in euro or foreign currency)

<i>Name of Company</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Parent Company</i>	<i>% of ownership</i>
<b>KOS GROUP</b>					
KOS S.p.A.	Italy	8,848,103.70	€	CIR S.p.A.	62.73
OSPEDALE DI SUZZARA S.p.A.	Italy	120,000.00	€	KOS S.p.A.	99.90
MEDIPASS S.r.l.	Italy	700,000.00	€	KOS S.p.A.	100.00
ELSIDA S.r.l.	Italy	100,000.00	€	MEDIPASS S.r.l.	100.00
MEDIPASS HEALTHCARE LTD	UK	3,477.00	£GBP	MEDIPASS S.r.l.	89.99
CLEARMEDI HEALTHCARE LTD	India	9,904,111.18	₹	MEDIPASS S.r.l.	70.88
				CLEARVIEW HEALTHCARE LTD	29.12
					100.00
MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	UK	1,000.00	£GBP	MEDIPASS HEALTHCARE LTD	55.00
MEDIPASS LEEDS LTD (già HTI LEEDS)	UK	2.00	£GBP	MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	100.00
MEDIPASS BELFAST LTD (già HTI IRELAND)	UK	2.00	£GBP	MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	100.00
RESIDENZE ANNI AZZURRI S.r.l.	Italy	27,079,034.00	€	KOS S.p.A.	100.00
POLO GERIATRICO RIABILITATIVO S.p.A.	Italy	320,000.00	€	RESIDENZE ANNI AZZURRI S.r.l.	96.00
CLEARVIEW HEALTHCARE LTD	Italy	4,661,880.00	₹	MEDIPASS S.r.l.	85.19
HSS REAL ESTATE S.r.l.	Italy	2,064,000.00	€	KOS S.p.A.	100.00
ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	Italy	2,550,000.00	€	KOS S.p.A.	100.00
ABITARE IL TEMPO S.r.l.	Italy	100,826.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	54.00
SANATRIX S.r.l.	Italy	843,700.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	76.97
SANATRIX GESTIONI S.r.l.	Italy	300,000.00	€	SANATRIX S.r.l.	99.61
JESILAB S.r.l.	Italy	80,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	100.00
FIDIA S.r.l.	Italy	10,200.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	60.00
KOS SERVIZI SOCIETÀ CONSORTILE a r.l.	Italy	115,000.00	€	KOS S.p.A.	3.68
				RESIDENZE ANNI AZZURRI S.r.l.	46.12
				ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	36.93
				MEDIPASS S.r.l.	2.07
				OSPEDALE DI SUZZARA S.p.A.	2.15
				SANATRIX GESTIONI S.r.l.	3.02
				ABITARE IL TEMPO S.r.l.	4.94
				FIDIA S.r.l.	0.43
				JESILAB S.r.l.	0.43
				ELSIDA S.r.l.	0.23
					100.00

**INVESTMENTS IN JOINT VENTURES AND ASSOCIATES**  
*CONSOLIDATED USING THE EQUITY METHOD*

*(in euro or foreign currency)*

<i>Name of Company</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Parent Company</i>	<i>% of ownership</i>
<b><i>CIR GROUP</i></b>					
DEVIL PEAK S.r.l.	Italy	69,659.00	€	NEXENTI S.r.l.	36.16
	Italy				
<b><i>ESPRESSO GROUP</i></b>					
	Italy				
LE SCIENZE S.p.A.	Italy	103,400.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	50.00
HUFFINGTONPOST ITALIA S.r.l.	Italy	250,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	49.00
EDITORIALE CORRIERE ROMAGNA S.r.l.	Italy	1,756,766.00	€	FINEGIL EDITORIALE S.p.A.	49.00
EDITORIALE LIBERTÀ S.p.A.	Italy	1,000,000.00	€	FINEGIL EDITORIALE S.p.A.	35.00
ALTRIMEDIA S.p.A.	Italy	517,000.00	€	FINEGIL EDITORIALE S.p.A.	35.00
PERSIDERA S.p.A.	Italy	21,428,572.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	30.00
<b><i>SOGEFI GROUP</i></b>					
MARK IV ASSET (Shanghai) AUTO PARTS Co. Ltd	China	10,000,000.00	Rmb	SOGEFI ENGINE SYSTEMS HONG KONG Ltd	50.00
<b><i>CIR INTERNATIONAL GROUP</i></b>					
KTP GLOBAL FINANCE S.C.A.	Luxembourg	566,573.75	€	CIR INTERNATIONAL S.A.	47.55
<b><i>KOS GROUP</i></b>					
APOKOS REHAB PVT Ltd	India	115,000,000.00	Inr	KOS S.p.A.	50.00

## INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

CONSOLIDATED AT COST(\*)

(in euro or foreign currency)

<i>Name of Company</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Parent Company</i>	<i>% of ownership</i>
<b>GRUPPO ESPRESSO</b>					
ENOTRYA S.r.l. <i>(in liquidazione)</i>	Italy	75,000.00	€	ELEMEDIA S.p.A.	70.00
CELLULARMANIA.COM S.r.l. <i>(in liquidazione)</i>	Italy	10,400.00	€	ELEMEDIA S.p.A.	100.00
KSOLUTIONS S.r.l. <i>(in liquidazione)</i>	Italy	100,000.00	€	ELEMEDIA S.p.A.	100.00
CLUB D.A.B. ITALIA – CONSORTILE S.p.A.	Italy	240,000.00	€	ELEMEDIA S.p.A.	37.50
GOLD 5 S.r.l.	Italy	250,000.00	€	A. MANZONI & C. S.p.A.	20.00
<b>GRUPPO KOS</b>					
OSIMO SALUTE S.p.A.	Italy	750,000.00	€	ABITARE IL TEMPO S.r.l.	25.50
<b>GRUPPO CIR INTERNATIONAL</b>					
PHA – Participations Hotelieres Astor <i>(In liquidazione)</i>	France	12,150.00	€	CIR INTERNATIONAL S.A.	100.00
KTP GLOBAL FINANCE MANAGEMENT S.A.	Luxembourg	31,000.00	€	CIR INTERNATIONAL S.A.	46.00

(\*) investments which are not significant, non-operational, or that have been recently acquired, unless stated otherwise.

## INVESTMENTS IN OTHER COMPANIES

CONSOLIDATED AT COST

(in euro or foreign currency)

Name of Company	Registered office	Share capital	Currency	Parent Company	% of ownership
<b>ESPRESSO GROUP</b>					
AGENZIA A.N.S.A. S. COOP. a.r.l.	Italy	10,783,361.63	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	3.68
				FINEGIL EDITORIALE S.p.A.	13.24
				S.E.T.A. S.p.A.	2.94
					19.85
CONSULEDIT S. CONSORTILE a.r.l. (in liquidazione)	Italy	20,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	6.64
				FINEGIL EDITORIALE S.p.A.	5.48
				S.E.T.A. S.p.A.	0.49
					12.61
IMMOBILIARE EDITORI GIORNALI S.r.l.	Italy	830,462.00	€	S.E.T.A. S.p.A.	0.17
				FINEGIL EDITORIALE S.p.A.	0.12
					0.29
TRENTO PRESS SERVICE S.r.l.	Italy	260,000.00	€	S.E.T.A. S.p.A.	14.40
AGENZIA INFORMATIVA ADRIATICA d.o.o.	Slovenia	12,768.00	€	FINEGIL EDITORIALE S.p.A.	19.00
AUDIRADIO S.r.l. (in liquidazione)	Italy	258,000.00	€	A. MANZONI & C. S.p.A.	7.50
PRESTO TECHNOLOGIES Inc. (non operativa)	United States	7,663,998.40	\$USA	ELEMEDIA S.p.A.	7.83
D-SHARE S.r.l.	Italy	104,235.25	€	ELEMEDIA S.p.A.	9.43
TELELIBERTÀ S.p.A.	Italy	2,200,000.00	€	FINEGIL EDITORIALE S.p.A.	4.32
PREMIUM PUBLISHER NETWORK CONSORZIO	Italy	19,426.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	16.96
CONSORZIO EDICOLA ITALIANA	Italy	51,497.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	16.67
TAVOLO EDITORI RADIO S.r.l.	Italy	110,000.00	€	ELEMEDIA S.p.A.	12.50
<b>SOGEFI GROUP</b>					
UMC & MAKKAWI SPRING MANUFACTURING Co., Ltd	Sudan	900,000.00	SDP	SOGEFI REJNA S.p.A.	25.00
AFICO FILTERS S.A.E.	Egypt	14,000,000.00	EGP	SOGEFI REJNA S.p.A.	17.77
<b>KOS GROUP</b>					
FONDO SPAZIO SANITÀ	Italy	45,600,000.00	€	IST. DI RIABILITAZIONE S. STEFANO S.r.l.	0.88
			€	RESIDENZE ANNI AZZURRI S.r.l.	1.10
					1.98

## INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND IN OTHER COMPANIES

NON INCLUDING IN THE CONSOLIDATED STATEMENTS

(in euro or foreign currency)

<i>Name of Company</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Parent Company</i>	<i>% of ownership</i>
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### ***CIR GROUP***

FINAL S.A. <i>(in liquidazione)</i>	Francia	2,324,847.00	€	CIGA LUXEMBOURG S.à.r.l.	47.73
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### ***CIR INTERNATIONAL GROUP***

FOOD CONCEPTS HOLDING SA <i>(in liquidazione)</i>	Lussemburgo	5,540,513.00	€	CIR INTERNATIONAL S.A.	19.00
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## REPORT OF THE INDIPENDENT AUDITORS

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## REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### To the Shareholders of Cir S.p.A.

#### *Introduction*

We have reviewed the accompanying half-yearly condensed consolidated financial statements of CIR S.p.A. and its subsidiaries (the "CIR Group"), which comprise the statement of financial position as of June 30, 2016 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

#### *Scope of Review*

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the CIR Group as at June 30, 2016 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

#### *Signed by*

**Marco Miccoli**  
Partner

Milan, Italy  
August 4, 2016

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

**CIR S.p.A.**

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