

**CONSOLIDATED FINANCIAL STATEMENTS,
SEPARATE FINANCIAL STATEMENTS
AND REPORT ON OPERATIONS
2016**

CONTENTS

ADMINISTRATIVE BODIES

BOARD OF DIRECTORS	05
ANNUAL GENERAL MEETING OF THE SHAREHOLDERS	07

REPORT ON OPERATIONS

1. PERFORMANCE OF THE GROUP	16
2. PERFORMANCE OF THE PARENT COMPANY	19
3. RECONCILIATION OF THE PARENT COMPANY'S FINANCIAL STATEMENTS WITH THE CONSOLIDATED FINANCIAL STATEMENTS	20
4. PERFORMANCE OF THE SUBSIDIARIES	22
5. SIGNIFICANT EVENTS WHICH OCCURRED AFTER THE CLOSE OF THE YEAR	28
6. OUTLOOK FOR OPERATIONS	28
7. PRINCIPAL RISKS AND UNCERTAINTIES TO WHICH COFIDE S.p.A. AND THE GROUP ARE EXPOSED	28
8. OTHER INFORMATION	30
9. PROPOSED ALLOCATION OF THE 2016 NET INCOME	33

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION	36
2. CONSOLIDATED INCOME STATEMENT	37
3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	38
4. CONSOLIDATED STATEMENT OF CASH FLOWS	39
5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	40
6. EXPLANATORY NOTES	41

CONSOLIDATED FINANCIAL STATEMENTS OF DIRECTLY SUBSIDIARY AT 31 DECEMBER 2016	131
---	-----

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154 BIS OF D.LGS 58/98	134
---	-----

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

1. STATEMENT OF FINANCIAL POSITION	136
2. INCOME STATEMENT	137
3. STATEMENT OF COMPREHENSIVE INCOME	138
4. STATEMENT OF CASH FLOWS	139
5. STATEMENT OF CHANGES IN EQUITY	140
6. EXPLANATORY NOTES	141

SEPARATE FINANCIAL STATEMENTS OF THE DIRECT SUBSIDIARY AT 31 DECEMBER 2016	177
--	-----

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 154 BIS OF D.LGS 58/98	180
---	-----

LIST OF EQUITY INVESTMENTS	181
----------------------------------	-----

REPORT OF THE BOARD OF STATUTORY AUDITORS	189
---	-----

REPORT OF THE INDEPENDENT AUDITORS	195
--	-----

This Annual Report and Financial Statements as of 31 December 2016 were prepared as per the terms of Art. 154 ter of D.Lgs. 58/98 and were drawn up in accordance with international accounting standards applicable as recognized by the European Union in Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of July 19 2002, as well as with the measures issued in implementation of Art. 9 of D. Lgs. No 38/2005.

This Annual Report has been translated into the English language solely for the convenience of international readers. In the event of any ambiguity the Italian text will prevail.

COFIDE - Gruppo De Benedetti S.p.A.

Share Capital € 359,604,959

Register of Companies ref. no. and Tax Code 01792930016

A company subject to management and coordination by FRATELLI DE BENEDETTI S.p.A.

Registered office and operations centre
20121 Milan, Via Ciovassino 1
Tel. (02) 72270.1 Fax (02) 72270.270

Administrative office
10129 Turin, Via Valeggio 41
Tel. and Fax (011) 5517 +

ADMINISTRATIVE BODIES

BOARD OF DIRECTORS

Honorary Chairman and Director	CARLO DE BENEDETTI
Chairman	RODOLFO DE BENEDETTI (*)
Directors	SILVIA CANDIANI MASSIMO CREMONA (1) (2) (3) EDOARDO DE BENEDETTI MARCO DE BENEDETTI PAOLA DUBINI (1) (2) PIERLUIGI FERRERO FRANCESCO GUASTI (1) (2) MARIA SERENA PORCARI (2)

Secretary to the Board	MASSIMO SEGRE
------------------------	---------------

BOARD OF STATUTORY AUDITORS

Chairman	RICCARDO ZINGALES
Statutory Auditors	TIZIANO BRACCO ANTONELLA DELLATORRE
Alternate Auditors	LUIGI NANI LUIGI MACCHIORLATTI VIGNAT PAOLA ZAMBON

INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.p.A.

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



COFIDE – GRUPPO DE BENEDETTI S.p.A.

Milano – Via Ciovassino 1

Share Capital: Euro 359,604,959.00 fully paid up – Company Register and Tax Code. No. 01792930016
Company subject to management and coordination by F.lli De Benedetti S.p.A.

NOTICE OF ANNUAL GENERAL MEETING

The Shareholders are invited to attend the Ordinary Annual General Meeting on April 27 2017 at 4.00 p.m., at the first call, in the Palazzo delle Stelline Congress Centre, Corso Magenta 61, Milan and, if necessary, at the second call on **April 28 2017, same time and place**, to discuss and pass resolution on the following

AGENDA

1. Financial Statements for the year ended December 31 2016. Resolutions on the same. Presentation of the Consolidated Financial Statements for the year ended December 31 2016.
2. Appointment of the Board of Statutory Auditors for the years 2017-2019 and decision as to their fees.
3. Proposal to cancel the resolution of April 29 2016 regarding the authorization to buy back and dispose of own shares and proposal for a new authorization.
4. Compensation Report.

INFORMATION ON THE SHARE CAPITAL

The share capital amounts to € 359,604,959.00 and consists of 719,209,918 ordinary shares each with a nominal value of € 0.50 and with voting rights.

ATTENDING THE SHAREHOLDERS' MEETING IN PERSON AND BY PROXY

Entitlement to take part in the Meeting and exercise a vote is attested by a notification – made by an authorized intermediary as per the terms of Art. 83-sexies of D.Lgs. no. 58/98 and subsequent amendments and additions (TUF) – in favour of the individual who has the right to vote based on evidence available at the close of business Tuesday April 18 2017, the seventh trading day preceding the date fixed for the first call of the Shareholders' Meeting. Any persons who obtain entitlement only after that date will not have the right to attend or vote at the Meeting.

To make it easier to check their entitlement to take part in the proceedings of the Meeting, participants are requested to show their copy of the notice made to the Company, which the authorized intermediary, in accordance with current regulations, is required to make available to them.

Any holders of shares that have not yet been dematerialized should first present their share certificates to an authorized intermediary for input into the centralized clearing system in electronic form, in accordance with the provisions of Article 17 of joint Consob/Bank of Italy Measure of October 22 2008, and should request that the notification be sent in as above.

Persons with voting rights can appoint a proxy to represent them at the Shareholders' Meeting in accordance with Art. 2372 of the Civil Code and with any other rules or regulations applicable. The proxy form at the bottom of the notification issued by the authorized intermediary may be used or alternatively there is a proxy form that can be downloaded from the company website www.cofide.it in the section Financials Informations. The proxy form can be sent by registered post with advice of receipt (A.R.) to the Registered Office of the Company or, alternatively, may be sent to the certified e-mail address segre@legalmail.it. If the proxy gives or sends the Company a copy of the proxy form, he or she must certify under his or her own responsibility that the copy corresponds to the original and confirm the identity of the person appointing such proxy.

In accordance with legislation on the subject, Shareholders can, without incurring any charges, appoint as proxy Studio Segre S.r.l. as the Representative Designated by the Company as per the terms of Art. 135-undecies of the TUF. The proxy is appointed by signing the appropriate form available in the above-mentioned section of the website. The signed document must be sent to the

Designated Representative, Studio Segre S.r.l. – Via Valeggio, 41 – 10129 Turin by registered post with advice of receipt (A.R.) or sent by e-mail to the certified address segre@legalmail.it by the end of the second trading day before the date fixed for the Shareholders' Meeting even at the second call (i.e. by Tuesday April 25 2017 for the first call and by Wednesday April 26 2017 for the second call). The proxy is not valid for the motions for which no voting instructions have been given. The proxy and the voting instructions are revocable until the dates by which they must be given.

The notice sent to the company by the authorized intermediary attesting the Shareholder's entitlement to attend the meeting is needed even when the Designated Representative of the Company is appointed as proxy. Therefore, in the absence of the above-cited notification the proxy will not be valid.

RIGHT TO ASK QUESTIONS ON THE ITEMS ON THE AGENDA

Shareholders who wish to ask questions regarding the items on the Agenda of the Shareholders' Meeting may send their questions by registered post with advice of receipt (A.R.) to the Company's Registered Office or by certified e-mail to the address segre@legalmail.it attaching either the certification issued by an authorized intermediary proving that they are entitled to exercise this right or the notification attesting their entitlement to attend the Shareholders' Meeting and to exercise their right to vote. Questions must be received by the close of the third day preceding the date fixed for the first call of the meeting, i.e. by April 24 2017.

The Company will give its response during the Shareholders' Meeting at the latest. Questions with the same content will receive a single response.

ADDITIONS TO THE AGENDA AND PRESENTATION OF NEW RESOLUTION PROPOSALS

As per the terms of Art. 126-*bis* of the TUF, Shareholders representing even jointly at least one fortieth of the share capital may request, within ten days of the publication of this notice, an addition to the items on the Agenda to be dealt with, indicating in their request the further items proposed, or they may submit proposed resolutions on subjects already on the Agenda. It should be remembered, however, that any such addition is not allowed for the items on which the Shareholders, as per the terms of the law, vote on a proposal made by the Directors or on a plan or a report prepared by the same, other than those included in Art. 125-*ter*, paragraph 1 of the TUF.

Requests should be made by registered post with advice of receipt (A.R.) to the Registered Office of the Company or by certified e-mail to the address segre@legalmail.it and must be accompanied by a report on the subject being put forward as well as by the certification(s) issued by an authorized intermediary attesting the person's entitlement to exercise this right. Notice will be given of any additions to the Agenda and of any new proposed resolutions in the same form as those on this notice of meeting, at least fifteen days before the date fixed for the first call of the Shareholders' Meeting, by which time the report prepared by the proposers of the same will be made available to the public.

APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

In relation to the second item on the Agenda, notice is given that with the coming Annual General Meeting the mandate of the Board of Statutory Auditors will come to an end. At the said meeting, therefore, new members will be appointed for the years 2017-2019, as per the terms of Art. 148 of the TUF and Art. 22 of the Company Bylaws to which reference should be made.

The Statutory Auditors are appointed by the Shareholders' Meeting on the basis of lists presented by the Shareholders which list the candidates in numerical order. Each list consists of two sections: one for the candidates for the position of Statutory Auditor in office, the other for the candidates for the position of Alternate Auditor.

Only Shareholders who alone or together with other Shareholders represent at least 2.5% (two point five per cent) of the share capital can present lists.

Shareholders who intend to present lists are invited to consult the recommendations contained in Consob Communiqué DEM/9017893 of February 26 2009.

The lists, signed by the Shareholder or the Shareholders who are presenting them, or just one of them who is delegated to do so, and accompanied by the required documentation must be filed by the Shareholders presenting them at the Registered Office of the Company or sent to the certified email address segre@legalmail.it by April 2 2017 (extended to April 3 2017, the first working day after that date) and will be published in accordance with current regulations.

If on the final date for the presentation of lists only one list has been filed, or if there are only lists presented by Shareholders who are related according to rules applicable, as per Art. 144-sexies of the Rules for Issuers approved with Consob Resolution no. 11971 and subsequent amendments and additions, lists can be presented in the next three days following the said date, i.e. by April 5 2017. In this case, the limits for presenting lists are reduced by one half, thus to 1.25% (one point two five per cent) of the share capital.

A Shareholder cannot present or vote for more than one list, not even through a third party or through a fiduciary. Nobody can be a candidate on more than one list and acceptance of candidature on more than one list excludes the person from election. Lists that include a number of candidates equal to or higher than three must include in each section candidates belonging to both genders.

The lists must be accompanied by:

- The information relating to the identity of the Shareholders who have presented them, with an indication of the percentage of their total shareholding interest and one (or more) certificate(s) to be delivered to the Registered Office at the same time or, in any case, by April 6 2017 at the latest; this information should show the entitlement of the shareholding interest(s) as of the date on which the lists were presented;
- A declaration by Shareholders other than those holding, even jointly, a controlling interest or a relative majority, that they have no connection with them as indicated by current legislation and regulations on this subject;
- An exhaustive description of the personal and professional characteristics of the candidates together with a declaration made by the same candidates that attests that they possess the requisites required by current regulations and by the Company Bylaws and that they accept their candidature, plus a list of the positions of director or statutory auditor that they hold in other Companies.

The position may not be taken up by anyone who already holds more positions of director or statutory auditor in Companies than the limit established by law or by regulations and if such a person were elected his or her position would lapse.

If only one list is presented or admitted to the voting, all the members of the Board of Statutory Auditors will be drawn from that list.

Lists presented that do not comply with the instructions above will be considered as not having been presented.

DOCUMENTATION

The documentation relating to the items on the Agenda, as required by current legislation, which includes, among other things, the complete text of the proposed resolutions, will be available to the public as per the terms of the law at the Company's Registered Office (in Milan, Via Ciovassino 1), from Borsa Italiana S.p.A., on the authorized storage mechanism eMarketSTORAGE on the website www.emarketstorage.com and on the Company website www.cofide.it in the section Financials Informations. Shareholders have the right to obtain a copy of this documentation. The Financial Statements for the year 2016 will be made available to the public in the same way.

The Company Bylaws are available on the Company website www.cofide.it in the section Corporate Governance.

Milan, March 17 2017

For the Board of Directors
The Chairman – Rodolfo De Benedetti

REPORT ON OPERATIONS

Shareholders,

The Cofide Group made a consolidated net income of € 21.2 million in 2016, compared with € 18.7 million in the previous year.

The consolidated result was essentially attributable to CIR's contribution of € 18.4 million (compared with € 22.3 million in 2015) and to the net income of the parent company of Cofide of € 2.8 million (versus a net loss of € 3.6 million in 2015), which benefited from the proceeds of financial management.

In 2016 CIR's consolidated net income came to € 33.8 million, on € 42 million in 2015. Please note that, as we said in the 2015 financial statements, CIR recorded non-recurring net income of € 11.0 million (a gain of € 41.9 million on the sale of the *Swiss Education Group* and an impairment loss of € -30.9 million on the goodwill of Espresso).

The contribution made by the industrial subsidiaries was € 25.1 million, an increase of 23% compared with € 20.4 million in 2015.

Despite a more difficult environment for the publishing industry, the Espresso group has experienced a slower reduction in revenues compared with the prior year (-2.7% on a comparable basis) and a positive net result of € 10.4 million on € 17 million in 2015, which included the € 10.3 million gain on the sale of *All Music*. The net financial position at 31 December 2016 was positive for € 31.7 million, with respect to net debt of € 10.7 million at the end of 2015.

Sogefi managed to increase its turnover by 5%, thanks to growth in North America and Asia, and despite the crisis in the South American market. EBITDA increased by 32.2%, from € 115.5 million in 2015 to € 152.7 million in 2016; net income rose from € 1.1 million in 2015 to € 9.3 million in 2016. Free cash flow was positive for € 31.2 million, compared with € -24.8 million in 2015 (net financial debt at 31 December 2016 amounted to € 299 million, down on the figure of € 322.3 million at 31 December 2015).

Lastly, KOS has reported a 5% increase in revenues thanks, in particular, to the development of nursing homes following the acquisitions made in 2015; net income came to € 23.4 million, compared with € 19.8 million in 2015. Net debt at 31 December 2016 amounted to € 213.6 million, compared with € 210.0 million at 31 December 2015, after distributing € 29.9 million of dividends.

CIR S.p.A. and its non-industrial subsidiaries contributed net income of € 8.7 million compared with € 21.6 million in 2015, which included the non-recurring items of € 11 million commented above.

At 31 December 2016, the consolidated net debt of COFIDE, the parent company, stood at € 23.3 million (€ 37.7 million at 31 December 2015). The reduction is due to partial sales and reimbursements of the funds in portfolio and to dividends received, net of dividends paid, of € 5.9 million.

Cofide Group equity at 31 December 2016 was € 563.4 million versus € 567.8 million at 31 December 2015. The decrease, despite the positive net result for the year, is due to the distribution of dividends of € 10.1 million and CIR's purchase of a further interest in KOS, accounted for in accordance with IFRS 3.

The parent company Cofide S.p.A. closed 2016 with a net income of € 18.8 million compared with net loss of € 3.6 million in 2015.

Cofide's operating subsidiaries are active in the following areas: media (press, radio, internet and advertising), automotive components (suspension components, air filters and cooling), and healthcare (care homes, rehabilitation centres, cancer cure, diagnostic and hospital management).

In order to provide further information on the financial performance of Cofide in 2016, the income statement and balance sheet are provided with a breakdown showing the contribution of the subsidiaries to the net result and equity of Cofide.

The **income statement** is as follows:

<i>(in millions of euro)</i>	2016	2015
Contributions of investments in subsidiaries:		
- CIR S.p.A.	18.4	22.3
TOTAL CONTRIBUTIONS	18.4	22.3
Net gains and losses on trading and the valuation of securities	5.9	(0.3)
Net financial income and expense	(1.1)	(1.6)
Net operating costs	(1.7)	(1.7)
RESULT BEFORE TAXES	21.5	18.7
Income taxes	(0.3)	--
NET RESULT	21.2	18.7

The **statement of financial position** at 31 December 2016 shows equity of € 563.4 million, Parent Company net debt of € 23.3 million and long-term financial assets of € 587.9 million.

<i>(in millions of euro)</i>	31.12.2016	31.12.2015
CIR S.p.A.	575.0	585.0
LONG-TERM EQUITY INVESTMENTS	575.0	585.0
Other long-term financial assets	12.9	21.7
TOTAL FINANCIAL ASSETS	587.9	606.7
Tangible assets	1.2	1.2
Net receivables and payables	(2.4)	(2.4)
NET INVESTED CAPITAL	586.7	605.5
Financed by:		
Equity	563.4	567.8
Net debt	(23.3)	(37.7)

The "Other long-term financial assets" of € 12.9 million mainly consist of Cofide's investment in the Jargonant real estate fund for € 6.3 million, compared with € 13.4 million in 2015 following distributions during the year, and the investment in the Three Hills Decalia fund, which invests in small/medium-sized European companies, for € 5.6 million versus € 7.3 million at the end of 2015, due to partial reimbursement of the initial subscription.

1. Performance of the Group

Consolidated revenues for 2016 amounted to € 2,620.7 million compared with € 2,544.4 million in 2015, an increase of € 76.3 million (+3%). Sogefi and KOS recorded a 5% increase in turnover, while the revenues of the Espresso Group fell by 3.2%, as a consequence of the ongoing crisis that is affecting the entire publishing industry. Revenues generated outside Italy accounted for 56.6% of the total, thanks to the international development of Sogefi.

Consolidated revenues can be broken down as follows:

<i>(in millions of euro)</i>	2016	%	2015	%	Change absolute	%
Media						
Espresso Group	585.5	22.3	605.1	23.8	(19.6)	(3.2)
Automotive components						
Sogefi Group	1,574.1	60.1	1,499.1	58.9	75.0	5.0
Healthcare						
KOS Group	461.1	17.6	439.2	17.3	21.9	5.0
Other sectors	--	--	1.0	--	(1.0)	n.s.
Total consolidated revenues	2,620.7	100.0	2,544.4	100.0	76.3	3.0
of which: ITALY	1,136.9	43.4	1,137.8	44.7	(0.9)	(0.1)
OTHER COUNTRIES	1,483.8	56.6	1,406.6	55.3	77.2	5.5

The condensed **consolidated income statement** is as follows:

<i>(in millions of euro)</i>	2016	%	2015	%
Revenues	2,620.7	100.0	2,544.4	100.0
Consolidated EBITDA ⁽¹⁾	258.0	9.8	216.4	8.5
Consolidated EBIT	128.7	4.9	78.2	3.1
Financial management ⁽²⁾	(17.0)	(0.7)	(5.0)	(0.2)
Income taxes	(53.2)	(2.0)	(20.9)	(0.8)
Income (loss) from assets held for sale	2.0	0.1	9.4	0.3
Net income including minority interests	60.5	2.3	61.7	2.4
Minority interests	(39.3)	(1.5)	43.0	1.7
Net result of the Group	21.2	0.8	18.7	0.7

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.

Consolidated EBITDA in 2016 came to € 258.0 million (9.8% of revenues) compared with € 216.4 million in 2015 (8.5% of revenues), an increase of € 41.6 million (+19.2%). The growth is mainly due to an improvement in the margins of the Sogefi and KOS Groups, while the Espresso Group's margin decreased slightly.

Consolidated EBIT in 2016 came to € 128.7 million, compared with € 78.2 million in 2015, which included the impairment loss on the goodwill of Espresso for € 30.9 million. If we do not take this into account, EBIT in 2016 would increase by 18.0% thanks to Sogefi and KOS, as for EBITDA.

Financial management generated a net charge of € 17 million compared with one of € 5 million in 2015. In detail:

- net financial expense came to € 48.3 million, down slightly compared with € 51.2 million in 2015;
- net gains on trading of securities and adjustment to the value of financial assets led to a positive result of € 31.3 million compared with € 46.2 million in 2015, which included the € 41.9 million gain from the sale of SEG.

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

<i>(in millions of euro)</i>	<i>31.12.2016</i>	<i>31.12.2015</i>
Fixed assets	1,814.6	1,815.3
Other net non-current assets and liabilities	(120.5)	(68.6)
Net working capital	(20.3)	(14.2)
Net invested capital	1,673.8	1,732.5
Net debt	(166.9)	(159.4)
Total equity	1,506.9	1,573.1
Group equity	563.4	567.8
Minority interests	943.5	1,005.3

Net invested capital at 31 December 2016 came to € 1,673.8 million versus € 1,732.5 million at 31 December 2015.

The **consolidated net financial position** at 31 December 2016 showed net debt of € 166.9 million (compared with € 159.4 million at 31 December 2015) caused by:

- debt of € 23.3 million for COFIDE, the parent company, compared with € 37.7 million at 31 December 2015;
- a financial surplus for CIR and its non-industrial subsidiaries of € 334.3 million, which compares with € 417.9 million at 31 December 2015. The decrease (- € 83.6 million) is mainly due to the investment to purchase an additional interest in KOS (€ 64.3 million) and for share buy-backs (€ 19.5 million), as well as to distribute € 29.5 million of dividends;
- by total net debt of the industrial subsidiaries of € 477.9 million compared with € 539.6 million at 31 December 2015. The decrease in net debt of € 61.7 million is mainly attributable to the rise in the net financial position of Espresso (+€ 42.4 million) and Sogefi (+€ 23.3 million).

Total equity at 31 December 2016 came to € 1,506.9 million compared with € 1,573.1 million at 31 December 2015, a decrease of € 66.2 million.

Group equity at 31 December 2016 amounted to € 563.4 million compared with € 567.8 million at 31 December 2015, a net decrease of € 4.4 million.

Minority interests at 31 December 2016 amounted to € 943.5 million compared with € 1,005.3 million at 31 December 2015, a net decrease of € 61.8 million.

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

The **consolidated statement of cash flows** for 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>	2016	2015
SOURCES OF FUNDS		
Result for the period including minority interests from continuing operations	58.5	52.3
Amortisation, depreciation, write-downs & other non-monetary changes	112.8	84.8
Self-financing	171.3	137.1
Change in working capital and other non-current assets and liabilities	46.4	25.1
CASH FLOW GENERATED BY OPERATIONS FROM CONTINUING OPERATIONS	217.7	162.2
Increases in capital	11.5	0.3
Sale of non-strategic investments and Private Equity	23.6	73.2
TOTAL SOURCES OF FUNDS	252.8	235.7
APPLICATIONS OF FUNDS		
Net investment in fixed assets	(123.9)	(130.9)
Price paid for business combinations	(9.9)	(51.1)
Net debt of acquired companies	0.1	(20.3)
Purchase of minority interests	(64.3)	--
Buy-back of own shares	(19.4)	(55.6)
Payment of dividends	(44.7)	(8.0)
Other changes in equity	(0.2)	4.0
TOTAL APPLICATIONS OF FUNDS FROM CONTINUING OPERATIONS	(262.3)	(261.9)
FINANCIAL SURPLUS (DEFICIT) FROM CONTINUING OPERATIONS	(9.5)	(26.2)
CASH FLOW / NET FINANCIAL POSITION FROM DISCONTINUED OPERATIONS	2.0	12.4
FINANCIAL SURPLUS (DEFICIT)	(7.5)	(13.8)
NET FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD	(159.4)	(145.6)
NET FINANCIAL POSITION AT THE END OF THE PERIOD	(166.9)	(159.4)

A breakdown of the net financial position is given in the notes to the financial statements.

In 2016, the change in the Group's net financial position shows a financial deficit of € 9.5 million, which is the result of sources of funding for € 252.8 million and applications for a total of € 262.3 million.

Sources include flows generated by operations of € 217.7 million, increases in capital of € 11.5 million and the proceeds of sale of non-strategic investments and Private Equity of € 23.6 million.

Applications of funds include the additional investments in KOS of € 64.3 million, the buy-back of own shares € 19.4 million, the payment of dividends for a total of € 44.7 million and net investments in fixed assets for € 123.9 million, related mainly to the Sogefi and KOS Groups.

At 31 December 2016 the Cofide Group had 14,329 employees, compared with 14,254 at 31 December 2015.

2. Performance of the Parent Company

Cofide S.p.A., the parent company, closed 2016 with a net income of € 18.8 million compared with a net loss of € 3.6 million in 2015, and equity of € 562.2 million at 31 December 2016 (€ 556.6 million at 31 December 2015).

The **condensed income statement** of Cofide S.p.A., with comparative figures from 2015, is as follows:

<i>(in millions of euro)</i>	2016	2015
Net operating costs (1)	(1.1)	(1.2)
Other operating costs, amortisation and depreciation (2)	(0.6)	(0.5)
Financial management (3)	20.8	(1.9)
Result before taxes	19.1	(3.6)
Income taxes	(0.3)	--
Net result	18.8	(3.6)

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

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

Financial management generated a net income of € 20.8 million (compared with a loss of € 1.9 million in the previous year) because of the collection of dividends of € 16.0 million and higher gains on trading and valuation of securities for € 6.2 million.

The **condensed statement of financial position** of Cofide S.p.A. at 31 December 2016, with comparative figures as at 31 December 2015, is as follows:

<i>(in millions of euro)</i>	31.12.2016	31.12.2015
Fixed assets (1)	575.0	575.0
Other net non-current assets and liabilities (2)	12.9	21.3
Net working capital (3)	(2.4)	(2.0)
Net invested capital	585.5	594.3
Net financial position (4)	(23.3)	(37.7)
Equity	562.2	556.6

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

2) This item is the sum of "securities" and "other receivables" in non-current assets and "other payables" and "personnel provisions" in non-current liabilities in the statement of financial position of Cofide S.p.A., the Parent Company..

3) This item is the sum of "other receivables" in current assets and "trade payables" and "other payables" in current liabilities in the statement of financial position of Cofide S.p.A., the Parent Company..

4) This item is the sum of "securities" and "cash and cash equivalents" in current assets, "other borrowings" in non-current liabilities and "overdrafts" in current liabilities in the statement of financial position of Cofide S.p.A., the Parent Company..

At 31 December 2016, the consolidated net debt of Cofide, the parent company, stood at € 23.3 million (€ 37.7 million at 31 December 2015).

The change in equity from € 556.6 million at 31 December 2015 to € 562.2 million at 31 December 2016 was mainly due to the net result for the period (€ 18.8 million) which increased equity, and the change in the fair value reserve (€ 3.1 million) and the distribution of dividends of € 10.1 million which reduced it.

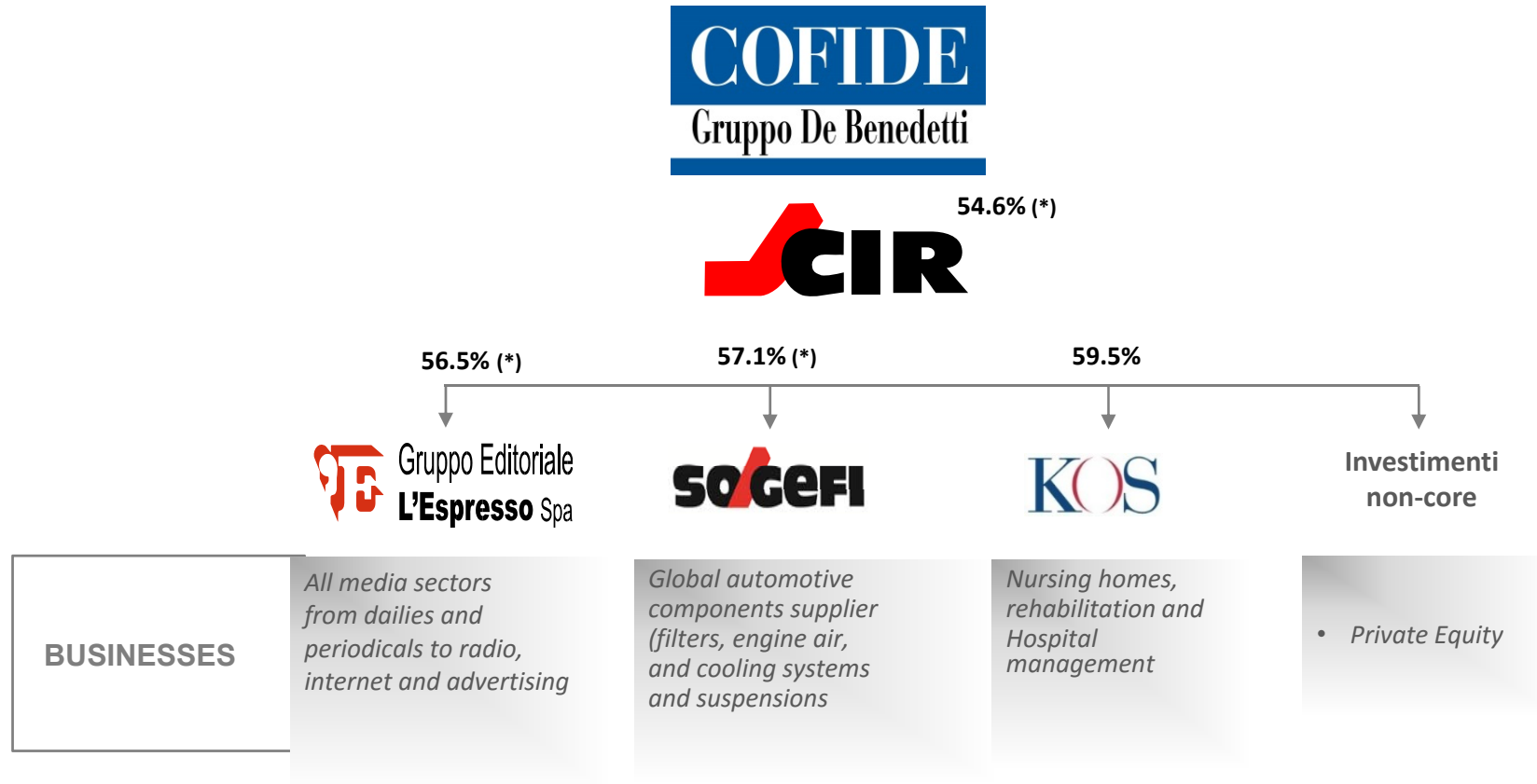
3. Reconciliation of the Parent Company's financial statements with the consolidated financial statements

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

(in thousands of euro)

	<i>Equity 31.12.2016</i>	<i>Net result 2016</i>
Financial statements of Cofide S.p.A. (Parent Company)	562,241	18,812
- Dividends from consolidated companies	(16,006)	(16,006)
- Net contribution of consolidated companies	86,157	18,443
- Difference between the carrying values of investee companies and the portions of their equity included in the consolidation, net of their contributions	(68,978)	--
- Other consolidation adjustments	--	--
Consolidated financial statements (Group share)	563,414	21,249

Main Group investments
at 31 december 2016



(*) the percentage is calculated net of treasury shares

4. Performance of the subsidiaries

CIR GROUP - The CIR Group recorded a consolidated net income of € 33.8 million (compared with € 42 million in 2015, which benefited of non-recurring income of € 11.0 million (gains on the sale of the *Swiss Education Group* and an impairment loss of € -30.9 million at Espresso). Excluding these non-recurring items, CIR Group net income would rise from € 31.0 million in 2015 to € 33.8 million in 2016.

The contributions made to the consolidated net result and equity of the CIR Group are summarised below by sector:

<i>(in millions of euro)</i>	2016	2015
CONTRIBUTIONS TO NET RESULT		
Espresso Group	5.9	9.6
Sogefi Group	5.3	0.7
KOS Group	13.9	10.1
Total for main subsidiaries	25.1	20.4
Other subsidiaries	(0.5)	(1.4)
CIR and other non-industrial subsidiaries	9.2	12.0
Non-recurring items	--	11.0
Net result of the CIR Group	33.8	42.0

The contribution made by the industrial subsidiaries was € 25.1 million, compared with € 20.4 million in 2015.

Consolidated equity went from € 1,103 million at 31 December 2015 to € 1052.3 million at 31 December 2016, a net decrease of € 50.7 million. The change, despite the positive net result for the year, is due to the distribution of € 29.5 million of dividends, € 19.5 million of share buy-backs and the additional investment in KOS, which has been accounted for at the value of the net equity acquired (€ 27 million) rather than at the price paid (€ 64.3 million), not therefore resulting in an increase in goodwill in accordance with IFRS 3.

<i>(in millions of euro)</i>	31.12.2016	31.12.2015
CONTRIBUTIONS TO EQUITY		
Espresso Group	337.9	332.2
Sogefi Group	98.7	98.4
KOS Group	161.0	136.2
Other subsidiaries	0.8	1.8
Total subsidiaries	598.4	568.6
CIR and other non-industrial subsidiaries	453.9	534.4
- invested capital	119.6	116.5
- net financial position	334.3	417.9
Equity of the CIR Group	1,052.3	1,103.0

There now follows a more in-depth analysis of the business sectors of the CIR Group.

► MEDIA

With reference to the general market trend, total advertising expenditure in 2016 (Nielsen Media Research figures) grew by 1.7% compared with 2015. The upswing in investment has involved television and radio, which grew by 5.4% and 2.3%, respectively. Internet (excluding Search and Social websites) posted a decrease of 2.3% on last year. Lastly, as regards print advertising, the trend was negative (-5.6%), with a decline similar to that of the national and local trends.

As for newspaper circulation, according to the figures published by ADS (Accertamento Diffusione Stampa), in 2016 sales on newsstands and by subscription fell by 8.0%.

The Espresso Group closed 2016 with a consolidated **turnover** of € 585.5 million, down 3.2% (-2.7% on a comparable basis) from € 605.1 million in 2015; group revenues are as follows:

(in millions of euro)	2016		2015		Change
	Amounts	%	Amounts	%	
Circulation and add-ons	242.5	41.4	259.1	42.8	(6.4)
Advertising	343.0	58.6	346.0	57.2	(0.9)
TOTAL	585.5	100.0	605.1	100.0	(3.2)

The Group's circulation revenues (including add-ons) amounted to € 242.5 million, a decrease of 6.4% on last year (-5.5% on a comparable basis), in a market that is continuing to see a significant decline in daily newspaper sales.

Advertising revenues are substantially in line with last year. Radio and internet advertising showed a slight increase on 2015, while the press were affected by the critical trend in the market.

Costs are down by 2.4%, substantially reflecting the decline in revenues; fixed industrial costs, in particular, have fallen by 11.9% thanks to the ongoing reorganisation of the Group's production structure, whereas logistic and distribution costs have been cut (-5.2%) following a rationalisation of transport, administration and other operating costs (-5.4%), thanks to the measures taken to hold down labour costs and general expenses.

Consolidated **EBITDA** amounted to € 44.7 million (€ 47.5 million in 2015), including € 7.7 million of restructuring charges and amortization of *fair value* of the digital terrestrial frequencies for € 4.3 million.

Consolidated **EBIT** came to € 23.4 million (€ 30.5 million in 2015) and includes € 4.4 million of goodwill write-downs of titles as a result of impairment tests. Profitability by business sector shows a decline in the results of the daily newspapers and an increase on the part of radio, internet and the advertising agency.

The sale of *DeejayTV* to Discovery Italia at the end of January 2015 generated capital gains, classified under discontinued operations, of € 10.3 million in 2015 and of € 2.0 million in 2016.

Consolidated net income amounted to € 10.4 million compared with € 17.0 million in the previous year; the difference is attributable to the above capital gain recorded in 2015.

The **net financial position** at 31 December 2016 was positive for € 31.7 million, having posted a financial surplus of € 42.4 million during the period.

At the end of December 2016, the Group had 1.940 employees, including those on fixed-term contracts, with a reduction of 282 persons on 31 December 2015, of whom 223 because of the deconsolidation of discontinued operations sold in the third quarter of 2016. The average number of employees during 2016 was 5.1% lower than the previous year.

At a board meeting on 27 February, Espresso's Board of Directors decided to submit to the shareholders a proposal to increase the share capital, with the exclusion of option rights pursuant to art. 2441, fourth paragraph, of the Italian Civil Code, to be paid through a contribution in kind by Fiat Chrysler Automobiles N.V. (FCA) and Ital Press Holding S.p.A., namely shares representing the entire share capital of ITEDI. This increase in capital is to implement the plan to combine the activities of Espresso with those of ITEDI, as envisaged in the framework agreement, as announced on 1 August 2016. Completion of the deal, which is subject to authorization by the competent authorities and to typical conditions precedent for transactions of this kind, is expected to take place first half of 2017. The total amount of the increase in capital was set at € 79,969,000.00, of which € 14,497,678.65 will be allocated to the share capital and € 65,471,321.35 to the share premium. The increase in capital will be carried out by issuing 96,651,191 new Espresso ordinary shares, with a par value of € 0.15 each, 74,421,417 of which will be allocated to FCA and 22,229,774 to Ital Press. On completion of this operation, CIR will hold 43.40% of the share capital of Espresso, whereas FCA will hold 14.63% and Ital Press 4.37%.

At the same meeting, Espresso's Board of Directors proposed not to distribute any dividend for 2016.

As part of the deconsolidation plan to guarantee compliance with the circulation thresholds established by current regulations and with a view to future integration with La Stampa and Il Secolo XIX, during 2016 the Espresso Group concluded the following transactions.

- the sale on 1 November 2016 of the business unit including the following titles: "Il Centro", and its press centre, and "La Città di Salerno";
- the sale on 28 October 2016 of a 71% stake in Seta S.p.A., publisher of the magazines "Alto Adige" and "Trentino";
- rent from 1 December 2016 of the business unit including the newspaper "La Nuova Sardegna" in favour of DB Information S.p.A.

A. Manzoni & C. continues to be the advertising agency for all titles.

As regards the outlook for the initial part of 2017, the evidence to date does not allow us to predict market developments significantly different from those that characterized 2016.

► AUTOMOTIVE COMPONENTS

The car market reported a 4.8% increase in worldwide production in 2016, with a 13.3% rise in Asia and positive trends in Europe (+3.5%) and North America (+2%). South American market showed a decline (-8.7%).

In this context, in 2016, the **revenue** of the Sogefi group rose by 5% to € 1,574.1 million compared with € 1,499.1 million in 2015.

Revenue increases was driven by significant growth in North America (+16.9%) and Asia (+25.6%); Europe reported a rise of 1.4%. Turnover in South America, on the other hand, fell by 7.1%, though it turned in a 13.9% increase in the fourth quarter thanks to initial signs of a market recovery.

The breakdown of the Sogefi Group's consolidated turnover by business sector is as follows:

(in millions of euro)	2016		2015		Change
	Amounts	%	Amounts	%	%
Suspension	562.8	35.8	558.0	37.2	0.9
Filtration	535.1	34.0	529.7	35.3	1.0
Air and Cooling	480.2	30.5	415.3	27.7	15.6
Intercompany eliminations	(4.0)	(0.3)	(3.9)	(0.2)	n.a.
TOTAL	1,574.1	100.0	1,499.1	100.0	5.0

Growth in Group turnover was helped in particular by the *Air and Cooling* segment, which posted an increase of 15.6%. Turnover at the other two business units has been affected by trends in the Latin American market: The *Suspensions* segment recorded revenue growth of 0.9% and the *Filtration* segment saw a rise of 1%.

Consolidated **EBITDA** came in at € 152.7 million, up by € 37.2 million (+32.2%) on € 115.5 million in 2015. The increase was due to revenue growth and to the improvement in profitability, rising to 9.7% from 7.7% in 2015. The increase in profitability was the result of the slight rise in gross margin and a decline in the proportion of indirect costs. In particular, overall labour costs as a percentage of revenues decreased from 22.1% in 2015 to 21.4% in 2016.

As regards the risk of claims of Sogefi Air & Refroidissement France S.A.S. (formerly Systèmes Moteurs S.A.S.), there were no changes in the "product warranty" risks such as to require changes in the provision made at 31 December 2015. As regards the recovery from Dayco, the seller of Sogefi Air & Refroidissement France S.A.S. to Sogefi in 2011, the arbitration procedure ended in May, ordering the company to pay Sogefi € 9.4 million for claims already paid. This amount was entirely cashed in the second half of 2016. The arbitration also lowered Sogefi's expectations of recovering € 4 million, leading to a negative impact of this same amount as it had already been accounted for in June 2016. Sogefi has challenged the part of the award ruling that it will have to pay for the claims relating to products made after the acquisition; Dayco has challenged the part of the award that confirmed the validity of the compensation in favour of Sogefi foreseen in the acquisition agreement. In this respect, the validity of the compensation has been confirmed by both the award and, on a preliminary basis, by the judgement of the Milan Court of Appeal, which rejected Dayco's request to suspend the enforceability of the award.

EBIT was € 74.5 million, +46.8% on € 50.7 million in 2015.

The **result before taxes and minority interests** was positive for € 46.6 million (€ 17.9 million in 2015), also thanks to non-recurring financial income of € 6 million.

Net income came to € 9.3 million (€ 1.1 million in 2015) after financial expenses of € 32.6 million in 2016 (versus € 12.9 million in 2015) because of the higher result before taxes and non-recurring taxes of € 10.2 million.

Net financial debt at 31 December 2016 amounted to € 299 million, with a decrease of € 23.3 million compared with 31 December 2015 (€ 322.3 million) and of € 15.1 million compared with 30 September 2016 (€ 314.1 million). Free cash flow for 2016 was positive for € 31.2 million (€ 21.9 million net of non-recurring outlays and collections) compared with a deficit of € 24.8 million last year, which included outlays for € 20.3 million for product quality issues. This improvement was achieved despite an increase in capital expenditure to € 58.8 million (€ 51.3 million in 2015).

At 31 December 2016, equity, excluding minority interests, came to € 172.9 million (€ 170.8 million at 31 December 2015).

The Sogefi Group had 6,801 employees at 31 December 2016 compared with 6,702 at 31 December 2015.

The Board of Directors of the Parent Company Sogefi, which met on 27 February 2017, proposed to the Shareholders' Meeting not to distribute any dividend in 2016.

In 2017 the global car market is expected to increase slightly, with a limited growth in Europe, a reduction in North America and a small recovery in South America.

The company expects "mid-single digit" growth in turnover, supported by a strong performance in China and India and lower growth in North and South America.

In this context, Sogefi plans to continue improving its profitability.

► HEALTHCARE

Over the past five years, health care spending has seen a sharp decline, linked to a reorganisation of services, increased efficiency in purchasing and greater selectivity in hospital admissions and the provision of health services generally.

Despite the improvements in the Italian health budget over the last four years, 2016 saw a further € 1.3 billion increase in public health spending, in line with forecast; the Stability Law also foresees an increase to € 113 billion in 2017 (€ 111 billion in 2016) and a rise of € 1 billion per year in 2018 and 2019.

For KOS, the regulatory framework did not undergo any significant changes in 2016, either at national or at regional level. At the national level, we would highlight the approval of the new Essential Levels of Care (ELC) at the end of 2016; we will see over the coming years what their impact is on the health and social healthcare sectors.

Lastly, the significant growth in private spending is confirmed. It has partially replaced public spending for some health services (mainly outpatient), following the increase in prescription charges and longer waiting times in public facilities.

The KOS group currently manages 77 facilities, mainly in central and northern Italy, for a total of around 7,300 beds in use, operating in three 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 22 rehabilitation facilities (with three care homes for the elderly) and 15 hospitals, for a total of 2,011 beds;
- 3) **Hospital management:** management of a hospital and cancer cure and diagnostic services in 33 public and private facilities.

Revenues of KOS rose by 5% to € 461.1 million and are split up as follows:

(in millions of euro)	2016		2015		Change
	Amounts	%	Amounts	%	%
care homes for the elderly	203.6	44.2	190.8	43.4	6.7
Rehabilitation	178.0	38.6	168.4	38.4	5.7
Acute/Hi-tech	79.5	17.2	80.0	18.2	(0.6)
TOTAL	461.1	100.0	439.2	100.0	5.0

The increase of 5%, compared with € 439.2 million in the same period last year, was driven by the acquisitions made during the previous year and by organic growth in the care home sector.

Consolidated **EBITDA** amounted to € 82.4 million, 12.9% up on € 73.0 million in 2015.

Consolidated **EBIT** amounted to € 48.7 million compared with € 44.7 million the previous year.

Consolidated **net income** came in at € 23.4 million, 18.2% up on € 19.8 million of last year.

At 31 December 2016 the KOS Group had **net debt** of € 213.6 million, compared with € 210 million at 31 December 2015, after dividends paid for € 29.9 million.

At 31 December 2016 consolidated equity amounted to € 270.5 million versus € 265.8 million at 31 December 2015.

The Group had 5,560 employees at 31 December 2016 compared with 5,194 at 31 December 2015.

During the year, the KOS Group continued with its development plans for elderly care facilities and rehabilitation.

In Italy, the Group acquired control of a psychiatric rehabilitation facility in the Marche region (Villa Jolanda) in September, further strengthening its presence in this sector.

In addition in 2016, the Group launched the first rehabilitation facility in India through the company *ApoKOS*, a joint venture with Apollo, the leading local healthcare provider. The facility, located in the city of Hyderabad, has 64 beds devoted to the rehabilitation of patients with neurological, orthopaedic, cardiopulmonary, paediatric, geriatric and oncological problems.

In the area of cancer care and diagnostics, business development continues in Italy, in India (with the subsidiary *ClearMedi Healthcare LTD*) and in the United Kingdom (with the subsidiary *Medipass Healthcare LTD*).

There were some changes in the shareholding structure of KOS during the course of 2016. In May, CIR and *F2i Healthcare*, a subsidiary of the Secondo Fondo F2i, completed the purchase from Ardian of 46.7% of KOS for a total of € 292 million. In August, after the Kingdom of Bahrain's sovereign investment fund joined the F2i Healthcare fund, the latter acquired an additional 3.2% of KOS from CIR for about € 20 million.

As a result of this transaction, the shareholding structure of KOS currently consists of CIR with 59.53% and F2i Healthcare with 40.47%.

As regards the outlook for 2017, KOS will continue its development, especially in Italy.

► **NON-CORE INVESTMENTS**

They are represented by private equity, non-strategic investments and other investments amounting to € 114.7 million at 31 December 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 31 December 2016, based on the NAVs provided by the various funds, came to € 58.1 million, a decrease of € 1.1 million compared with 31 December 2015, due to the effect of capital repayments (€ 4.0 million), higher than the investments (€ 2.0

million). Total distributions during the period amounted to € 11.0 million, including € 4.0 million of capital repayments and € 7.0 million of capital gains.
Outstanding commitments at 31 December 2016 amounted to € 4.0 million.

Other investments

At 31 December 2016, CIR had direct and indirect investments in non-strategic interests for a total of € 18.3 million and a portfolio of non-performing loans for a total of € 38.3 million. In 2016, CIR International sold a € 5.5 million investment in China, making a net capital gain of € 6.5 million.

5. Significant events which occurred after the close of the year

Note that on 16 February 2017, so after 31 December 2016, COFIDE began implementing a plan to purchase its own shares, as authorised by the Shareholders' Meeting of 29 April 2016.

6. Outlook for operations

As regards its performance in 2017, the COFIDE Group expects to further increase profitability in the components sector; in the media sector, the evidence available to date does not allow us to foresee significant market developments other than those that featured in 2016; the Group will continue to develop its activity in the health care sector, especially in Italy.

As mentioned previously, in the first half of 2017 the media sector should see completion of Itedi's merger with the Espresso Group, which will bring together long-standing authoritative newspapers such as La Repubblica, La Stampa and Il Secolo XIX and the numerous local dailies owned by the Espresso Group.

7. Principal risks and uncertainties to which Cofide S.p.A. and the group are exposed

Risks connected with the results of the Group

The Cofide Group operates, among other things, in the automotive components sector, which is subject to cyclical factors, and in the media sector which is more sensitive to trends in the economic cycle, whereas the health sector depends significantly on commercial relationship with public bodies, such as municipalities and regions.

It is difficult to forecast the extent and duration of these various cycles. However, any macroeconomic event, such as a significant decline in a particular market, volatility in the financial markets, a rise in energy prices, fluctuations in commodity prices, etc. could have an impact on the Group's prospects and business activities, as well as on its results and financial position. In addition, any decrease in the expenditure capacity of Government and other public bodies could affect the activities of the health sector, its economic situation and financial position.

Risks connected with borrowing requirements

The COFIDE Group expects to be able to meet its borrowing requirements in terms of maturing loans and investment needs with its operating cash flows, available liquidity and by renewing or refinancing its bank loans or bonds. Even in the current market context, the Group aims to maintain a sufficient capacity to generate funds from ordinary operations.

The Group invests any free cash flow, spreading its investments over a suitable number of prime counterparties, matching the residual life of these investments with the maturity of its obligations on the funding side. However, in light of the current financial crisis, it cannot be ruled out that there may be banking or money market situations that could obstruct the normal functioning of the financial system.

Risks connected with fluctuations in exchange and interest rates

A significant part of Group borrowings involves the payment of interest at floating rates, mainly linked to Euribor. So any rise in interest rates could result in higher funding costs or more costly debt refinancing on the part of Group companies.

In order to limit the risk of interest rate fluctuations, the Group uses interest rate derivatives to keep them within a predetermined range.

Some Group companies, particularly in the Sogefi Group, do business in European countries that do not belong to the Euro-zone and non-EU countries that use different currencies, exposing them to the risk of fluctuations in foreign exchange rates against the euro. In line with its risk management policies, the Group takes out hedges to limit this risk.

Despite this hedging, sudden fluctuations in exchange or interest rates could have a negative impact on the Group's economic and financial results.

Risks connected with customer and supplier relations

In its relations with customers, the Group manages the demand concentration by suitably diversifying its customer portfolio, both geographically and in terms of distribution channels. In relations with suppliers the approach differs according to the business sector. For example, the Sogefi Group diversifies its sourcing by using several suppliers operating in different parts of the world, which enables the Group to reduce its risk of commodity price fluctuation and avoid relying too heavily on key suppliers.

Risks connected with competitiveness in the Group's business sectors

The Group operates in markets with genuine entry barriers against new competitors thanks to technology or quality gaps, the need to make substantial initial investments and the fact that it operates in sectors that are highly regulated, requiring special authorisations from the competent authorities.

It is important as the ability to develop and deliver innovative products would allow Group companies to achieve results in line with the strategic forecasts.

Risks connected with environmental policies

The Group operates in sectors that are subject to a host of environmental rules and regulations (at local, national and supranational level) and they are often revised to become more restrictive. Having to comply with these regulations, especially if they continue to change, could lead to very high costs that potentially could impact the Group's profit margins.

Risks connected with the result of the referendum in Great Britain

We would like to communicate the following in accordance with the ESMA/2016/1528 Document of 28 February 2016 – *European Common Enforcement Priorities for 2016 Financial Statements*.

The COFIDE Group, whose activities have no significant direct representation in the United Kingdom, has a limited exposure to the risks associated with Brexit, unless this might derive - in both economic and financial terms - from a more general impact on the entire Italian economic and industrial system from uncertainty about the timing and ways in which the UK leaves the European Union.

Cofide S.p.A., as the Parent Company, is exposed to substantially the same risks and uncertainties as described above for the Group.

8. Other information

Treasury shares

At 31 December 2016 the Parent Company did not hold any treasury shares or shares in its parent company, nor did it buy or sell any such shares during the year, whether directly or through a trust company or nominee.

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.Cofide.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.

Transactions with subsidiaries during the year ended 31 December 2016 related mainly to:

- operational support and communication services for € 49 thousand provided by COFIDE S.p.A. to CIR S.p.A.;
- financial, legal and administrative assistance services for € 122 thousand provided by CIR S.p.A. to Cofide S.p.A.;
- property income of € 85 thousand related to a building rented by Cofide S.p.A. to Gruppo Editoriale l'Espresso S.p.A.

No transactions involving treasury shares were carried out during the year. As can be seen from the statement of financial position, no treasury shares are held at 31 December 2016.

Pursuant to the law, we would point out that no transactions were carried out during the year ended 31 December 2016 with the ultimate parent company Carlo De Benedetti & Figli S.p.A., which performs management and coordination activities.

The Cofide 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.

Report on Corporate Governance

The Cofide Group's corporate governance model is based on the guidelines contained in the Code of Conduct prepared by the Corporate Governance Committee of Borsa Italiana (the Italian Stock Exchange) and published in July 2014 with the additions and adjustments needed to reflect the Group's characteristics.

In compliance with regulatory requirements, an "Annual Report on Corporate Governance" is prepared each year with a general description of the corporate governance system adopted by the

Group. It also gives information on the ownership structure and compliance with the Code of Conduct, including the main governance practices followed and the characteristics of the risk management and internal control system applied to the financial disclosure process.

Note that the full text of the "2016 Annual Report on Corporate Governance" was approved in full by the Board of Directors' Meeting convened to approve the draft financial statements at 31 December 2016.

The Annual Report on Corporate Governance will be available to anybody on request, subject to the conditions laid down by Borsa Italiana for its publication. The Report is also available in the Governance section of the Company's website (www.cofide.it)

As regards Legislative Decree 231/01, which was issued to bring the law on the administrative liability of legal entities into line with the international conventions signed by Italy, on 7 March 2003 the Company's Board of Directors adopted a Code of Ethics for the Cofide Group, which is published as an attachment to the "Annual Report on Corporate Governance". It lays down the values to be followed by the Group in the pursuit of its objectives and establishes binding principles of conduct for its Directors, employees and other stakeholders. On 5 September 2003, the Board of Directors approved the "Organisational Model - the Model of Organisation and Management as per Legislative Decree 231/01", which is in line with the instructions laid down in the decree to ensure fairness and transparency in the conduct of business and corporate activities.

This Organisational Model is constantly updated by the Board of Directors as the scope of this legislation is extended.

In relation to the obligations set out in Art. 2.6.2, paragraph 8 of the Rules of Borsa Italiana, taking into account the provisions of Articles 36 and 37 of Consob Resolution 16191, we hereby confirm that there is no hindrance to the listing of Cofide shares on the MTA market organised and managed by Borsa Italiana S.p.A., given that the non-EU foreign subsidiaries, which are particularly significant for Cofide, publish their own articles of association and the composition and powers of their administrative bodies according to the legislation applicable to them or voluntarily, they provide the Company's auditors with the information necessary to carry out their audit on the annual and interim accounts of Cofide, and they have a suitable administrative and accounting system to provide the Company's Management and its auditors with the economic, balance sheet and financial figures needed to prepare the consolidated financial statements. Furthermore, as regards the fact that the Company is subject to management and coordination by its parent company Carlo De Benedetti & Figli S.p.A., the Company has fulfilled all the disclosure requirements of art. 2497-bis of the Civil Code, it has the power to negotiate independently with customers and suppliers, it has no centralised treasury function in common with Carlo De Benedetti & Figli and the Board of Directors, out of a total of 9 members, has 4 who satisfy the independence requirements and are therefore sufficient to guarantee that their judgement has a significant weight in the decision-making process of the Board.

Preparation of the "Security Policy Document"

As regards compliance with personal data processing regulations under Legislative Decree no. 196/03, the Personal Data Protection Code, Decree Law 5 of 9 February 2012, known as the "Simplification Decree" repealed the obligation to prepare a Security Policy Document. All of the other obligations remain valid.

However, the fact that this document is no longer required does not reduce the level of monitoring of compliance with these regulations.

Compliance with the Personal Data Protection Code is verified by means of the risk analysis document, which is prepared once a year, and a separate data processing map, which is updated whenever there are changes.

Research and development

Research and development at Group level in 2016 was concentrated principally in the components sector. In the Sogefi Group, R&D expenditure for the year amounted to € 38.1 million (€ 35.5 million the previous year), mainly oriented towards product innovation,

Exception to the obligation to publish information documents in accordance with art. 70, paragraph 8, and art. 71, paragraph 1-bis of the Issuers' Regulations

In accordance with art. 70, paragraph 8, and art. 71, paragraph 1-bis of Consob Regulation no. 11971/99, as amended by Resolution no. 18079 of 20 January 2012, the Board of Directors decided to exercise its right to make an exception to the obligation to publish the information documents required in the event of significant transactions such as mergers, spin-offs, increases in capital by means of a contribution in kind, acquisitions and disposals.

Other

COFIDE S.p.A. has its registered office in Via Ciovassino 1, Milan, Italy.

Cofide shares, which have been quoted on the Milan Stock Exchange since 1985, since 2004 have been traded on the Ordinary Segment – MTA (Reuter code: COFI.MI, Bloomberg code: COF IM).

This report for the period 1 January-31 December 2016 was approved by the Board of Directors on 13 March 2017.

9. Proposed allocation of the 2016 net income

Shareholders,

the financial statements for the year ended 31 December 2016, which we submit for your approval, closed with a net profit of € 18,811,685.14 which we propose should be allocated as follows:

- € 940,584.26 to the legal reserve;
- € 0.014 per share as a dividend, carrying forward the surplus.

Please note that the total amounts to be allocated to dividends will take into account the treasury shares held in portfolio and the ordinary shares outstanding on the date of the Shareholders' Meeting, whereas the unit amount to be paid per share will not change.

The Board of Directors

Milan, 13 March 2017

Pursuant to art.1 of the Ministerial Decree of 2 April 2008, we would point out that the dividend is understood as being formed entirely out of earnings generated up to the year in progress at 31 December 2007.

COFIDE GROUP

Consolidated financial statements

At 31 December 2016

STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF CASH FLOW

STATEMENT OF CHANGES IN EQUITY

EXPLANATORY NOTES

1. Consolidated statement of financial position

(in thousands of euro)

ASSETS	Notes	31.12.2016	31.12.2015
NON-CURRENT ASSETS		2,070,459	2,094,545
INTANGIBLE ASSETS	(7.a.)	988,003	997,652
TANGIBLE ASSETS	(7.b.)	671,159	659,109
INVESTMENT PROPERTY	(7.c.)	20,144	20,916
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	(7.d.)	129,987	131,833
OTHER EQUITY INVESTMENTS	(7.e.)	5,323	5,830
OTHER RECEIVABLES	(7.f.)	79,099	87,075
<i>of which with related parties (*)</i>	(7.f.)	1,644	2,693
SECURITIES	(7.g.)	85,009	87,383
DEFERRED TAXES	(7.h.)	91,735	104,747
CURRENT ASSETS		1,349,077	1,412,396
INVENTORIES	(8.a.)	137,406	134,055
CONTRACT WORK IN PROGRESS		40,947	39,178
TRADE RECEIVABLES	(8.b.)	414,246	415,937
<i>of which with related parties (*)</i>	(8.b.)	1,542	2,259
OTHER RECEIVABLES	(8.c.)	92,863	97,565
<i>of which with related parties (*)</i>	(8.c.)	105	655
FINANCIAL RECEIVABLES	(8.d.)	30,183	30,496
SECURITIES	(8.e.)	66,157	131,012
AVAILABLE-FOR-SALE FINANCIAL ASSETS	(8.f.)	234,012	251,510
CASH AND CASH EQUIVALENTS	(8.g.)	333,263	312,643
ASSETS HELD FOR SALE	(8.h.)	3,418	9,005
TOTAL ASSETS		3,422,954	3,515,946
LIABILITIES AND EQUITY		31.12.2016	31.12.2015
EQUITY		1,506,896	1,573,078
SHARE CAPITAL	(9.a.)	359,605	359,605
RESERVES	(9.b.)	95,041	110,571
RETAINED EARNINGS (LOSSES)	(9.c.)	87,519	78,901
NET INCOME (LOSS) FOR THE YEAR		21,249	18,687
GROUP EQUITY		563,414	567,764
MINORITY INTERESTS		943,482	1,005,314
NON-CURRENT LIABILITIES		975,300	1,060,437
BONDS	(10.a.)	283,742	288,366
OTHER BORROWINGS	(10.b.)	311,815	421,910
OTHER PAYABLES		15,175	9,321
DEFERRED TAXES	(7.h.)	149,833	135,235
PERSONNEL PROVISIONS	(10.c.)	131,058	124,622
PROVISIONS FOR RISKS AND LOSSES	(10.d.)	83,677	80,983
CURRENT LIABILITIES		940,758	875,769
BANK OVERDRAFTS		12,771	19,517
BONDS	(11.a.)	20,980	5,011
OTHER BORROWINGS	(11.b.)	201,179	150,316
TRADE PAYABLES	(11.c.)	433,354	428,173
<i>of which to related parties (*)</i>	(11.c.)	2,189	2,251
OTHER PAYABLES	(11.d.)	199,697	200,985
PROVISIONS FOR RISKS AND LOSSES	(10.d.)	72,777	71,767
LIABILITIES HELD FOR SALE	(8.h.)	--	6,662
TOTAL LIABILITIES AND EQUITY		3,422,954	3,515,946

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

2. Consolidated income statement

(in thousands of euro)

	Notes	2016	2015
SALES REVENUES	(12)	2,620,680	2,544,410
CHANGE IN INVENTORIES		5,460	(498)
COSTS FOR THE PURCHASE OF GOODS	(13.a.)	(988,180)	(937,923)
COSTS FOR SERVICES	(13.b.)	(614,406)	(624,563)
of which from related parties (*)	(13.b.)	(6,272)	(979)
PERSONNEL COSTS	(13.c.)	(712,409)	(708,634)
OTHER OPERATING INCOME	(13.d.)	26,812	32,406
of which from related parties (*)	(13.d.)	1,778	2,891
OTHER OPERATING COSTS	(13.e.)	(80,853)	(92,086)
of which to related parties (*)	(13.e.)	--	(236)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS			
CONSOLIDATED AT EQUITY	(7.d.)	849	3,355
AMORTISATION, DEPRECIATION & WRITE-DOWNS		(129,277)	(138,220)
EARNINGS BEFORE INTEREST AND TAXES (EBIT)		128,676	78,247
FINANCIAL INCOME	(14.a.)	13,058	13,603
of which with related parties (*)	(14.a.)	15	3,293
FINANCIAL EXPENSE	(14.b.)	(61,352)	(64,844)
DIVIDENDS		11,557	257
GAINS FROM TRADING SECURITIES	(14.c.)	16,582	77,343
LOSSES FROM TRADING SECURITIES	(14.d.)	(668)	(2,360)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(14.e.)	3,827	(28,999)
NON-RECURRING INCOME (EXPENSE)	(14.f.)	--	--
INCOME (LOSS) BEFORE TAXES		111,680	73,247
INCOME TAXES	(15)	(53,192)	(20,946)
INCOME (LOSS) AFTER TAXES FROM OPERATING ACTIVITY		58,488	52,301
INCOME/(LOSS) FROM ASSETS HELD FOR SALE	(16)	2,000	9,377
NET INCOME (LOSS) FOR THE YEAR INCLUDING MINORITY INTERESTS		60,488	61,678
- MINORITY INTERESTS		(39,239)	(42,991)
- NET INCOME (LOSS) OF THE GROUP		21,249	18,687
BASIC EARNINGS (LOSS) PER SHARE (in euro)	(17)	0.0295	0.0260
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	(17)	0.0295	0.0260

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

3. Consolidated statement of comprehensive income

(in thousands of euro)

	2016	2015
INCOME/(LOSS) FOR THE PERIOD OF CONTINUING OPERATIONS	58,488	52,301
Other components of comprehensive income		
<i>Items that will not be reclassified to the income statement</i>		
Actuarial gains (losses)	(15,477)	13,937
Tax effect of items that will not be reclassified to the income statement	2,611	(3,667)
Subtotal of items that will not be reclassified to the income statement	(12,866)	10,270
<i>Items that may be reclassified to the income statement</i>		
Exchange differences on translation of foreign operations	1,603	150
Net change in fair value of available-for-sale financial assets	2,168	(12,673)
Net change in cash flow hedge reserve	2,074	5,542
Other components of comprehensive income	280	--
Tax effect of items that may be reclassified to the income statement	(1,162)	(1,909)
Subtotal of items that may be reclassified to the income statement	4,963	(8,890)
Total items of comprehensive income of the period	(7,903)	1,380
TOTAL STATEMENT OF COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS	50,585	53,681
TOTAL STATEMENT OF COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS	2,000	23,733
TOTAL STATEMENT OF COMPREHENSIVE INCOME OF THE PERIOD	52,585	77,414
Total comprehensive income attributable to:		
Shareholders of the parent company	17,977	23,905
Minority interests	34,608	53,509
BASIC COMPREHENSIVE EARNINGS PER SHARE (in euro)	0.0250	0.0332
DILUTED COMPREHENSIVE EARNINGS PER SHARE (in euro)	0.0250	0.0332

--

4. Consolidated statement of cash flows

(in thousands of euro)

	2016	2015
OPERATING ACTIVITY		
NET INCOME (LOSS) FOR THE YEAR INCLUDING MINORITY INTERESTS - CONTINUING OPERATIONS	58,488	52,301
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & WRITE-DOWNS	129,277	138,220
SHARE OF RESULTS OF COMPANIES CONSOLIDATED AT EQUITY	2,356	(3,355)
ACTUARIAL VALUATION OF STOCK OPTION/STOCK GRANT PLANS	4,242	4,090
CHANGES IN PERSONNEL PROVISIONS, PROV. FOR RISKS & LOSSES	(2,952)	(32,855)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(3,827)	28,999
LOSSES/(GAINS) ON SALE OF LONG-TERM SECURITIES	(20,966)	(41,893)
INCREASE (DECREASE) IN NON-CURRENT RECEIVABLES/PAYABLES	38,417	26,348
(INCREASE) DECREASE IN NET WORKING CAPITAL	8,041	(1,370)
CASH FLOW FROM OPERATING ACTIVITY - CONTINUING OPERATIONS	213,076	170,485
of which:		
- interest received (paid)	(33,133)	(42,181)
- income tax payments	(19,320)	(23,292)
INVESTMENT ACTIVITY		
PRICE PAID FOR BUSINESS COMBINATIONS	(9,861)	(51,139)
NET FINANCIAL POSITION OF ACQUIRED COMPANIES	53	(20,285)
(PURCHASE) SALE OF MINORITY INTERESTS	(64,330)	--
(PURCHASE) SALE OF SECURITIES	87,025	(90,902)
SALE OF FIXED ASSETS	23,636	73,204
PURCHASE OF FIXED ASSETS	(123,874)	(130,905)
CASH FLOW FROM INVESTING ACTIVITY - CONTINUING OPERATIONS	(87,351)	(220,027)
FINANCING ACTIVITY		
INFLOWS FOR CAPITAL INCREASES	11,487	289
OTHER CHANGES IN EQUITY	(212)	4,027
DRAWDOWN/(REPAYMENT) OF OTHER BORROWINGS/FINANCIAL RECEIVABLES	(47,574)	57,363
BUY-BACK OF OWN SHARES OF GROUP COMPANIES	(19,387)	(55,554)
DIVIDENDS PAID	(44,673)	(8,001)
CASH FLOW FROM FINANCING ACTIVITY - CONTINUING OPERATIONS	(100,359)	(1,876)
INCREASE (DECREASE) IN NET CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS	25,366	(51,418)
NET CASH AND CASH EQUIVALENTS - OPENING BALANCE OF DISCONTINUED OPERATIONS	2,000	11,330
NET CASH AND CASH EQUIVALENTS - OPENING BALANCE	293,126	333,214
NET CASH AND CASH EQUIVALENTS - CLOSING BALANCE	320,492	293,126

5. Consolidated Statement of changes in Equity

	Attributable to shareholders of the parent company						
	Share capital	Reserves	Retained earnings (losses)	Net income (losses) for the year	Total	Minority interests	Total
(in thousands of euro)							
Balance at 31 December 2014	359,605	89,883	93,369	(14,468)	528,389	1,030,068	1,558,457
Capital increases	--	--	--	--	--	289	289
Dividends to Shareholders	--	--	--	--	--	(8,001)	(8,001)
Retained earnings	--	--	(14,468)	14,468	--	--	--
Effects of equity changes in subsidiaries	--	15,470	--	--	15,470	(70,551)	(55,081)
Comprehensive result for the year							
Fair value measurement of hedging instruments	--	6,038	--	--	6,038	11,900	17,938
Fair value measurement of securities	--	1,438	--	--	1,438	239	1,677
Securities fair value reserve released to income statement	--	(7,538)	--	--	(7,538)	(7,006)	(14,544)
Effects of equity changes in subsidiaries	--	76	--	--	76	203	279
Currency translation differences	--	2,124	--	--	2,124	(2,008)	116
Actuarial gains (losses)	--	3,080	--	--	3,080	7,190	10,270
Result for the year	--	--	--	18,687	18,687	42,991	61,678
Total comprehensive result for the year	--	5,218	--	18,687	23,905	53,509	77,414
Balance at 31 December 2015	359,605	110,571	78,901	18,687	567,764	1,005,314	1,573,078
Capital increases	--	--	--	--	--	11,487	11,487
Dividends to Shareholders	--	--	(10,069)	--	(10,069)	(34,604)	(44,673)
Retained earnings	--	--	18,687	(18,687)	--	--	--
Effects of equity changes in subsidiaries	--	(12,258)	--	--	(12,258)	(73,323)	(85,581)
Comprehensive result for the year							
Fair value measurement of hedging instruments	--	486	--	--	486	1,091	1,577
Fair value measurement of securities	--	(274)	--	--	(274)	2,351	2,077
Securities fair value reserve released to income statement	--	(314)	--	--	(314)	(260)	(574)
Effects of equity changes in subsidiaries	--	92	--	--	92	188	280
Currency translation differences	--	751	--	--	751	852	1,603
Actuarial gains (losses)	--	(4,013)	--	--	(4,013)	(8,853)	(12,866)
Result for the year	--	--	--	21,249	21,249	39,239	60,488
Total comprehensive result for the year	--	(3,272)	--	21,249	17,977	34,608	52,585
Balance at 31 December 2016	359,605	95,041	87,519	21,249	563,414	943,482	1,506,896

6. Explanatory notes

1. Structure and content of the financial statements

These 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 31 December 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.

The consolidated financial statements at 31 December 2016 include the parent company Cofide S.p.A. (hereinafter "Cofide") and its direct and indirect subsidiaries, and were prepared using the accounts of the individual companies included in the scope of consolidation; these correspond to their separate 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. Please note that IEPL – Institut d'Ecole Primaire Leman S.A. closes its financial statements on 31 July. The company prepares a reporting package at 31 December for the consolidated financial statements.

The presentation criteria 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 year and in the previous year;
- The statement of comprehensive income shows the income items that are suspended in equity.

These 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.

Events which occurred after the reporting date

In addition to the above, no significant events have taken place after the end of the year that could have had a significant effect on the Group's financial position, equity or results.

See point 5 of the report on operations for an explanation of significant events that have taken place since the close of the year and point 6 for the outlook.

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. This operation will unify the authoritative strength of such historical titles as La Repubblica, La Stampa, Il Secolo XIX and the numerous daily newspapers owned by the Espresso Group.

At a board meeting on 27 February, Espresso's Board of Directors decided to submit to the shareholders a proposal to increase the share capital, with the exclusion of option rights pursuant to art. 2441, fourth paragraph, of the Italian Civil Code, to be paid through a contribution in kind by Fiat Chrysler Automobiles N.V. (FCA) and Ital Press Holding S.p.A., namely shares representing the entire share capital of ITEDI. This increase, as the controlling shareholder of Espresso, by FCA and by Ital Press Holding S.p.A. owned by the Perrone family, as the shareholders of ITEDI, the signing of which was announced on 1 August 2016. Completion of the deal, which is subject to authorization by the competent authorities and to typical conditions precedent for transactions of this kind, is expected to take place first half of 2017. The total amount of the increase in capital was set at € 79,969,000.00, of which € 14,497,678.65 will be allocated to the share capital and € 65,471,321.35 to the share premium. The increase in capital will be carried out by issuing 96,651,191 new Espresso ordinary shares, with a par value of € 0.15 each, 74,421,417 of which will be allocated to FCA and 22,229,774 to Ital Press. On completion of this operation, CIR will hold 43.40% of the share capital of Espresso, whereas FCA will hold 14.63% and Ital Press 4.37%.

Completion of the deal, which is subject to authorization by the competent authorities and to typical conditions precedent for transactions of this kind (such as obtaining the necessary shareholder approvals), is expected to take place before the end of the first half of 2017.

Publication of the financial statements was authorised by the Company's Board of Directors on 13 March 2017 (as required by paragraph 17 of IAS 10).

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:

	<i>Average exchange rate</i>	<i>31.12.2016</i>	<i>Average exchange rate</i>	<i>31.12.2015</i>
US dollar	1.1069	1.0541	1.1095	1.0887
Swiss franc	1.09016	1.0739	1.06786	1.0835
GB pound	0.81948	0.85618	0.7257	0.7340
Brazilian real	3.8616	3.4305	3.6390	4.3116
Argentine peso	16.3345	16.7476	10.2114	14.0964
Chinese renminbi	7.3497	7.3201	6.9691	7.0607
Indian rupee	74.3494	71.5820	71.1238	72.0461
New Romanian leu	4.4907	4.5391	4.4450	4.5241
Canadian dollar	1.4664	1.4188	1.4158	1.5116
Mexican peso	20.6569	21.7723	17.5623	18.9143
Hong Kong dollar	8.5903	8.1753	8.5977	8.4374

2.c. Scope of consolidation

The consolidated financial statements at 31 December 2016 and 2015 are the result of consolidating Cofide (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 31 December 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:

<i>(in thousands of euro)</i>	2016	2015
Revenues	80,804	81,865
Net income	15,370	9,832
Comprehensive income	15,416	9,867
Non-current assets	144,303	158,636
Current assets	38,625	42,357
Total assets	182,928	200,993
Non-current liabilities	49,199	64,043
Current liabilities	31,579	40,783
Total liabilities	80,778	104,826

2.d. 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 changed compared with the previous year.

Following the memorandum of understanding signed on 2 March, on 30 July 2016 the Espresso group and ITEDI signed a framework agreement to combine the two companies in order to create the leading Italian publishing group and one of the main groups in Europe in the field of daily and digital news.

As part of the deconsolidation plan to guarantee compliance with the circulation thresholds established by current regulations and with a view to future integration with La Stampa and Il Secolo XIX, during 2016 the Espresso Group concluded the following transactions.

- the sale on 1 November 2016 of the business unit including the following titles: "Il Centro", and its press centre, and "La Città di Salerno";
- the sale on 28 October 2016 of a 71% stake in Seta SpA., publisher of the magazines "Alto Adige" and "Il Trentino";
- rent from 1 December 2016 of the business unit including the newspaper "La Nuova Sardegna" in favour of DB Information SpA.

A. Manzoni & C. continues to be the advertising agency for all titles.

▪ AUTOMOTIVE COMPONENTS

Sogefi Suspension France S.A. increased its holding in S.ARA Composite S.A.S. from 95% to 95.65%. There were no other changes in the scope of consolidation during the period.

▪ HEALTHCARE

During the year, in addition to the acquisition of the "Casa Marchetti" business, which led to recognition of goodwill of € 1,088 thousand on an agreed price of € 1,200 thousand and of two outpatient centres in Pesaro and Ascoli Piceno (goodwill of € 160 thousand), we would point out the acquisition of Villa Jolanda S.r.l., the owner of a psychiatric rehabilitation centre with 74 beds in Maiolati Spontini (AN). The price paid for this transaction was € 8,500 thousand for a goodwill of € 5,982 thousand. During the third quarter of 2016 we also acquired minority interests (45%) in

Medipass Healthcare Leeds & Belfast Ltd, now 100% held. During the same period, we also diluted the minority interests in Medipass Healthcare Ltd, increasing our percentage control from 90% to 96%.

▪ **OTHER COMPANIES**

In addition, CIR S.p.A. increased its equity interest in KOS S.p.A. from 51.26% to 59.53% and sold its investment in Southlands S.r.l. in August.

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.

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 contract. 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 estimates 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.

In accordance with this standard, the Cofide 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 assignment 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.

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 valued 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 revised periodically and the effects of any changes made to them are reflected in the income statement for the period in which the amendment is made if the revision only affects that period, or subsequent periods as well 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 COFIDE 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 (up to 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 an 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, is 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.

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 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 Presentation of Financial Statements – “*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 these amendments did not have any impact on the consolidated financial statements of the Group.

- Amendment to IAS 27 *Equity Method in Separate Financial Statements* (published on 12 August 2014): it introduces the option of using the equity method for valuing investments in subsidiaries, jointly controlled entities and associates for an entity's separate financial statements. Adoption of these amendments did not have any impact on the separate financial statements of the Company.
- Amendments to IFRS 10, IFRS 12 and IAS 28 *“Investment Entities: Applying the Consolidation Exception”* (published on 18 December 2014), including changes regarding the issues that arose from applying the consolidation exception granted to investment entities. Adoption of these amendments did not have any impact on the separate financial statements of the Company.

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), IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization, IAS 24 Related Parties Disclosures – Key management personnel) 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 and IAS 34 – Interim Financial Reporting) 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 IFRS and IFRIC interpretations endorsed by the European Union, but not yet applicable on a compulsory basis and not adopted early by the group at 31 December 2016:

- 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:
 - o identification of the contract with the customer;
 - o identification of the performance obligations laid down in the contract;
 - o determination of the price;
 - o allocation of the price to the performance obligations laid down in the contract;
 - o 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 amendments to IFRS 15, Clarification to IFRS15 - Revenue from Contracts with Customers, published by the IASB on 12 April 2016, have not yet been endorsed by the European Union. 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 the IASB project aimed at replacing 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 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.

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

At the date of these consolidated 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.

- 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 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 are currently assessing the potential effects of these amendments on the Group's consolidated financial statements.

- 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.
- Document "Annual Improvements to IFRSs: 2014-2016 Cycle", published on 8 December 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard) which partly integrate the existing standards. The Directors do not expect any impact on the Group's consolidated financial statements from the application of these amendments.
- Interpretation IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (published on 8 December 2016). The interpretation aims to provide guidelines for foreign exchange transactions where non-cash advances or payments on account are recognised, prior to the recognition of the related asset, cost or revenue. This document provides guidance on how an entity should determine the date of a transaction, and consequently, the spot exchange rate when there are transactions in foreign currency in which the payment is made or received in advance. IFRIC 22 is applicable from 1 January 2018, but earlier application is allowed. The Directors do not expect any impact on the Group's consolidated financial statements from the application of these amendments.
- Amendment to IAS 40 "Transfers of Investment Property" (published on 8 December 2016). These changes clarify the transfer of a building to or from the category of investment property. In particular, an entity has to reclassify a building to or from investment property only when there is evidence that there has been a change of use. Such a change must be linked to a specific event that has taken place, which means that it should not be limited to a change in management's intentions. These amendments will apply from 1 January 2018, but earlier application is allowed. The Directors do not expect any impact on the Group's consolidated financial statements from the application of these amendments.
- Amendment to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" (published on 11 September 2014). 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.

Statement of financial position

7. Non-current assets

7.a. Intangible assets

2015	Opening position			Movements during the year							Closing position		
	Original cost	Accumulated amortisation and write-downs	Balance at 31/12/2014	Additions	Business combinations/disposals		Exchange rate differences	Other changes	Net disposals cost	Amortisation and write-downs	Original cost	Accumulated amortisation and write-downs	Balance at 31/12/2015
					increases	decreases							
(in thousands of euro)													
Start-up and expansion costs	36	(36)	--	--	--	--	--	--	--	--	36	(36)	--
Capitalised development costs													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	171,610	(93,836)	77,774	16,971	--	--	(992)	7,568	(829)	(21,129)	184,220	(104,857)	79,363
Industrial patents and intellectual property rights	47,072	(14,537)	32,535	2,032	--	--	3	--	(22)	(3,401)	48,875	(17,728)	31,147
Concessions, licences, trademarks and similar rights	79,457	(66,074)	13,383	2,924	8	--	(33)	306	--	(2,853)	82,297	(68,562)	13,735
Titles and trademarks	388,002	--	388,002	--	--	--	--	--	--	--	388,002	--	388,002
Frequencies	87,234	--	87,234	--	--	--	--	44	--	--	87,278	--	87,278
Goodwill	763,547	(420,912)	342,635	--	60,048	--	477	(3,911)	(7,404)	(31,664)	902,017	(541,836)	360,181
Assets in progress and advance payments													
- purchased	3,792	--	3,792	6,146	--	--	(828)	(1,390)	(46)	--	7,674	--	7,674
- produced internally	16,095	(728)	15,367	4,917	--	--	1,184	(7,072)	--	(114)	15,493	(1,211)	14,282
Other	26,400	(9,389)	17,011	251	252	--	(48)	350	--	(1,826)	26,968	(10,978)	15,990
Total	1,583,245	(605,512)	977,733	33,241	60,308	--	(237)	(4,105)	(8,301)	(60,987)	1,742,860	(745,208)	997,652

2016	Opening position			Movements during the year							Closing position		
	Original cost	Accumulated amortisation and write-downs	Balance at 31/12/2015	Additions	Business combinations/disposals		Exchange rate differences	Other changes	Net disposals cost	Amortisation and write-downs	Original cost	Accumulated amortisation and write-downs	Balance at 31/12/2016
					increases	decreases							
(in thousands of euro)													
Start-up and expansion costs	36	(36)	--	--	--	--	--	--	--	--	36	(36)	--
Capitalised development costs													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	184,220	(104,857)	79,363	18,654	--	--	--	10,712	(60)	(27,278)	211,718	(130,327)	81,391
Industrial patents and intellectual property rights	48,875	(17,728)	31,147	1,044	--	--	1	1	--	(2,912)	49,246	(19,965)	29,281
Concessions, licences, trademarks and similar rights	82,297	(68,562)	13,735	3,028	--	--	(42)	740	(4)	(3,177)	84,767	(70,487)	14,280
Titles and trademarks	388,002	--	388,002	--	--	(7,245)	--	--	--	(4,440)	376,317	--	376,317
Frequencies	87,278	--	87,278	96	--	--	--	--	--	--	87,374	--	87,374
Goodwill	902,017	(541,836)	360,181	--	7,230	--	(1,043)	1,138	(1,517)	(1,798)	906,334	(542,143)	364,191
Assets in progress and advance payments													
- purchased	7,674	--	7,674	110	--	--	49	(1,759)	--	--	6,074	--	6,074
- produced internally	15,493	(1,211)	14,282	9,995	--	--	103	(9,769)	--	(414)	15,846	(1,649)	14,197
Other	26,968	(10,978)	15,990	89	--	(5)	(15)	--	(1)	(1,160)	27,156	(12,258)	14,898
Total	1,742,860	(745,208)	997,652	33,016	7,230	(7,250)	(947)	1,063	(1,582)	(41,179)	1,764,868	(776,865)	988,003

AMORTISATION RATES

Description	%
Capitalised development costs	20-33%
Industrial patents and intellectual property rights	4-50%
Concessions, licences, trademarks and similar rights	16-33.33%
Other intangible assets	16-33.33%

Intangible assets fell from € 997,652 thousand at 31 December 2015 to € 988,003 thousand at 31 December 2016.

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>	31.12.2016	31.12.2015
la Repubblica	229,952	229,952
Local newspapers	143,056	154,741
Other titles and trademarks	3,309	3,309
Total	376,317	388,002

Frequencies:

<i>(in thousands of euro)</i>	31.12.2016	31.12.2015
Radio frequencies	87,374	87,278
Total	87,374	87,278

Goodwill:

<i>(in thousands of euro)</i>	31.12.2016	31.12.2015
Media Sector (Editoriale L'Espresso Group)	2,733	2,733
Healthcare (KOS group)	232,820	228,810
Automotive sector (Sogefi Group)	128,638	128,638
Total	364,191	360,181

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.

Summary of the results of impairment testing

The impairment tests carried out on the goodwill allocated to the Media, Healthcare and Automotive Sectors, using the cash flow method and other valuation methods, ascertained the absence of impairment losses.

However, considering that the recoverable value is determined on the basis of estimates, the Group cannot guarantee that goodwill will not be impaired in future periods. Given the current context of market crisis, the various factors used to make the estimates could be revised if conditions prove not to be in line with those on which the forecasts were based.

The tests performed in relation to each sector are described below.

Media

The impairment test on the Media sector, which coincides with the Espresso Group's scope of consolidation, was applied to intangible assets with an indefinite useful life, i.e. titles and trademarks, with a carrying amount of € 376.3 million, radio frequencies, with a carrying amount of € 87.4 million, and the goodwill allocated to the sector for a total of € 2.7 million.

With regard to intangible assets with indefinite useful lives other than goodwill, impairment tests have been carried out by considering the respective carrying amount and recoverable value separately for each CGU.

In addition, as required by IAS 36, digital TV frequencies were subjected to impairment tests and reclassified to intangible assets with a definite useful life under "Concessions, licences, trademarks and similar rights" during 2012.

During the course of 2016 the Espresso Group carried out a series of corporate transactions that had a significant impact on the value of the assets in the balance sheet and on the composition of the carrying amount of the individual CGUs. In detail:

- The reorganisation of the Group's newspaper printing hubs was completed on 1 July 2016, concentrating all of the industrial assets and related printing businesses in Rotocolor; this concentration is designed to increase the efficiency and rationalisation of the printing centres by achieving economies of scale, greater flexibility in performance and services, as well as a better market positioning with a view to appealing potentially to non-captive customers as well. The operation took place in three successive steps, starting in the second half of 2015:
 - 1) transfer of the rotary press and of the industrial plant located in Gorizia from GELE to Rotocolor;
 - 2) sale of the Rotocolor investment from GELE to Finegil;
 - 3) contribution of industrial operations from Finegil to Rotocolor, including buildings used for printing works (except for the plant in Sassari), industrial assets and personnel. The value of this business was put at € 32,094 thousand, based on the results shown in the valuation report prepared in accordance with art. 2343-ter of the Italian Civil Code by an independent expert and the financial position at the date of contribution of Finegil Editoriale SpA.

This has led to a change in the composition of the carrying amount of the local newspapers CGU compared with 31 December 2015; in particular, as regards the financial position, the assets of the various CGUs no longer include the industrial assets that have been transferred; in terms of the income statement, on the other hand, EBITDA includes the entire proceeds of the printing segment, whereas up to the previous year, part of these costs were expressed as depreciation.

- Finegil's Centre-South Division (which produces *Il Centro* and *La Città di Salerno*) and Rotocolor's Pescara printing centre were sold on 1 November 2016. The value of the titles sold recorded in the consolidated financial statements at 31 December 2015 was € 2,900 thousand.
- Finegil sold its entire 71% holding in Seta SpA, publisher of the *Alto Adige* and *Il Trentino* magazines, with delayed effect from 28 October 2016. The value of the titles sold recorded in the consolidated financial statements at 31 December 2015 and included in the "Finegil North-West" CGU was € 4,345 thousand.
- With effect from 1 December 2016, an agreement was signed with DB Information SpA to rent a business unit consisting of the newspaper *La Nuova Sardegna*; the parties agreed on a rental fee of € 1,450 thousand per year.

The impairment test carried out at the end of 2016 on the titles, radio frequencies, internet company, brands and goodwill ascertained a loss in value of the "Finegil Editoriale Livorno" CGU of € 4,440 thousand.

For estimating the recoverable value of each asset the higher of fair value less costs to sell and value in use was used.

The following is the principal information used to prepare the impairment test for each CGU or group of CGUs with a significant value:

- the value in use method was used for both national (*La Repubblica*) and local newspapers;
- for radio frequencies and the DeeJay brand, the fair value criterion was used;
- for goodwill relating to Group companies active in the digital sector, the fair value criterion was used.

Value in use of the cash generating units (CGUs) 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. In other words, the value in use was estimated by applying the

Discounted Cash Flow model, in the unlevered (or asset side) version, using the approach that includes discounting expected cash flows over the period of the forecasts and calculating the terminal value.

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 investment in the specific unit.

The so-called "post-tax" approach was adopted for the calculation of value in use and the discount rate. This approach is recognised by the OIC and exceeds the limits of the so-called "pretax" approach, the subject of debate in the professional community to simplify estimating the effects of the tax shield.

The discount rate was estimated net of tax, in accordance with the configurations of the cash flows to be discounted. In this case, the weighted average cost of capital (WACC) of the Espresso Group (6.49%) was used. The impairment tests conducted at 31 December 2016 are based on forecasts of the cash flows expected by the CGU, as reported in the 2017 Budget and 2017-2019 Three-Year Plan approved by the Board of Directors on 1 February 2017, with reference to the results and business goals.

Unlike the impairment tests performed at 31 December 2015, no extension of the explicit period was assumed. More specifically, the tests carried out at the previous year-end were based on expected cash flows of the cash generating unit in question, taken from the 2016 Budget and the 2016-2018 Three-Year Plan approved by the Board of Directors on 21 January 2016 and 24 February 2016, respectively. However, neither the strategic actions on cost rationalisation undertaken at the valuation date, nor those of enhancing the capacity to generate revenues reflected in the documents mentioned above foresaw full operation before the end of the last year of the explicit forecast. The forecast period was therefore extended up to five years to better quantify and represent the effects of full implementation of these actions. This extension was implemented in accordance with professional practice and the guidelines laid down by the OIV - Organismo Italiano di Valutazione (Italian Valuation Organisation), which say that *"[...] in the presence of a marked gap between the parameters of the last year of the analytical projection and the stabilised parameters used for the purposes of estimating the terminal value, one may provide for one or more periods to bring one closer to the other by adding on to the period of explicit forecast one or more intermediate periods (so-called "fading periods") before calculating the terminal value.*

The use of one or more fading periods may be useful even when the plan does not achieve a sufficient time extension to stabilise the value drivers". The fading periods inserted for the impairment tests in connection with the 2015 financial statements were from 2019 to 2020. The uncertainty inherent in the dynamics of the industry in which the Group operates (i.e. forecasts on the advertising market and circulation), which increased following the extension to the forecast horizon, was reduced by taking the average of the results for the period as normalised revenue for determining the terminal value.

Unlike what we did last year, it was not necessary to extrapolate prospective data for two more years. This situation derives from the consideration that all of the strategic measures will have been implemented by the end of 2019. The last year of the explicit forecast contained in the approved business plan (e.g. 2019) is considered representative of a normal situation that can be used to estimate the terminal value.

In view of the foregoing, in the present year we therefore assumed that the terminal value is estimated with reference to a terminal flow (or "up to speed"), or the normalised income, determined on the basis of the gross operating income expected in the last year of the forecast period (2019), from which we deducted the outlays for normalised investments, as well as taxes on operating income. The change in trade working capital is assumed to be zero.

We also assumed that the growth rate "g" is zero, except for the "Mo-Net" CGU which is showing a steady growth trend for the underlying business.

To determine the "fair value less cost to sell" we used a different approach for the operating divisions in the publishing sector, to which the newspaper and magazine titles, radio frequencies and the internet company are allocated. More precisely:

- 1) for the operating divisions of the publishing sector, we made reference to direct valuation multiples; this approach was necessary because of the lack of an active transfer market for similar cash-generating units, as well as the problems involved in comparing market transactions in units similar to the ones being verified;
- 2) for radio frequencies, a price/users type empirical multiple was used, observing transfer prices for similar frequencies in relation to the population reached by the signal;
- 3) for the Group internet company, Mo-Net, reference was made to direct valuation multipliers inferred from comparable listed companies.

In order to determine the possible "price" of the Publishing CGU, entity side multipliers were used, either in the trailing version (historical/current multipliers) or in the leading version (expected/average multipliers).

We estimated the fair value less costs to sell of the radio frequencies units on the basis of transfer prices for similar frequencies to those being tested in relation to the population potentially reachable by the signal. The use of this valuation approach makes it possible to estimate the fair value of radio and television frequencies, correlating the price that the market is prepared to pay for the frequency with the number of inhabitants reachable by the signal.

The fair value less selling costs of the internet company (Mo-Net) was estimated using direct multipliers (Enterprise Value/Sales, Enterprise Value/Ebitda and Enterprise Value/Ebit) determined with reference to comparable listed companies. The multipliers determined with reference to the selling prices of similar firms are difficult to apply in practice, both because internet transactions are rare in Italy and because of substantial differences in the business models of the companies traded. By contrast, financial metrics appear to indicate a clearer correlation between the market consensus about the growth potential of the revenues and operating profits of a business and the market prices for internet companies.

In order to determine the economic results and operational cash flows, reference was made to the 2017 Budget and the 2017-2019 Three-Year Plan approved by the Board of Directors of the Espresso Group on 1 February 2017.

The principal assumptions underlying the forecasts made are summarised below:

Advertising revenues: for 2017 a certain stability compared with 2016 is being assumed in the advertising market as a whole, also in consideration of the slight growth expected in the GDP (+0.9%), which is still insufficient to generate a clear reversal of the trend in investments. For the rest of the plan, it is assumed that the advertising market will record limited growth.

With regard to the individual segments, the share is likely to stay in line with what we have seen in recent years. This would involve: for the press, a further contraction in market weighting and therefore a greater decline in investments; for radio and television, a performance slightly better than the market; for the internet, maintenance of the share and therefore growth in line with the market.

Market trends were therefore reflected in the business plans of the Group's publishing CGUs for the years 2017-2019, assuming:

- for the Repubblica CGU, a decline in advertising in printed publications, but rising income on the Internet, substantially in line with the expected development of the market;
- for the Local Newspapers CGUs, a downturn in advertising revenues on paper publications similar to that of the national media is foreseen, whereas Internet is expected to grow significantly

considering both the starting level of turnover, which is still quite low, and the current project for renewal and strengthening of the websites of all the Group's local newspapers.

Sales revenues: the assumptions made for the 2017 budget regarding the kiosk sales of the Group's daily newspapers are based on market trends during the period from 2005 to 2016.

Based on ADS data, during that period kiosk and subscription sales of daily newspapers fell by 48.8% (an annual average of -5.9%), from a daily average of 4.9 to 2.5 million copies. By segment, the national dailies providing information and sports news have fared worst, declining since 2005 by 58.3% (an annual average of -7.7%) and -53.8% (an annual average of -6.8%) respectively, while the sales of local newspapers have dropped by 43.4% (-5% per annum). This adverse trend has accelerated significantly in recent years however.

The latest figures available at the time of preparation of the 2017 Budget (ADS in October) indicated an overall drop in kiosk sales and subscriptions of 7.8% (-8.9% for national newspapers and -7.8% for local newspapers) in 2016.

In view of these trends, the budget provides for a market evolution in 2017 similar to that of 2016; for the rest of the plan, it is assumed that this decline will be mitigated.

Alongside the structural decline in printed copies, the plan assumes growth in revenues of the digital editions of daily newspapers, accessed by tablets, PCs and mobile phones, with a beneficial effect on the revenues of the "La Repubblica" CGU and the Local Newspaper CGUs.

Lastly, the 2017-2019 plans envisage a steady increase in the cover prices of daily newspapers to offset the effect on sales deriving from the fall in the number of copies sold.

Optional products: the budgets for 2017 and subsequent years of the plan envisage a substantial stability in margins from optional products sold together with daily newspapers, given that the market is essentially saturated.

Costs: with regard to cost trends, the forecasts for 2017-2019 take account of a series of cost-saving measures taken by all companies:

- reduction in the print runs and pages of all titles following the predictable decline in their circulation and advertising revenues;
- early retirement and application of the solidarity system for printing personnel;
- reduction in editorial costs due to the containment of expenditure on bordereau, photographs and agency fees, as well as action relating to the staff of journalists;
- further reorganisation at the printing centres;
- optimisation of returns and efficiencies in the distribution process;
- reductions in all principal general costs (rentals, advisory services, telephone, travel etc.).

Over the plan period, these cost reduction efforts will more than compensate for the natural increase in payroll costs, paper prices and printing supplies, as well as the additional costs required to develop the digital business.

It should also be noted that, for prudence sake, we used a growth rate of zero to calculate the terminal value. We also assumed that the growth rate "g" is zero, except for the "Mo-Net" CGU which is showing a steady growth trend for the underlying business.

For those CGUs whose titles and/or goodwill have significant value and for which impairment tests indicate that the excess of their fair value less selling costs or value in use over their carrying amount is less than 50%, an analysis was performed on the sensitivity of the results to changes in the underlying assumptions.

In particular with regard to the Publishing CGUs, the analysis of the "La Repubblica" and "Finegil Editoriale Nord-Est" CGUs produced the following results.

The value in use of the "La Repubblica" CGU would be equal to the carrying amount of € 209.5 million, assuming a 6.5% fall in advertising revenues and a 8.5% decline in copies sold. Alternatively, accepting the assumptions for sales and advertising revenues adopted in the 2017-2019 plan, the recoverable value in use of the "La Repubblica" CGU would be equal to the carrying amount if the weighted average cost of capital was 8.28%, rather than 6.49% as currently used.

The value in use of the "Finegil Editoriale Nord-Est" CGU would be equal to the carrying amount of € 96.5 million, assuming a 7.5% fall in advertising revenues and a 4.4% decline in copies sold. Alternatively, accepting the assumptions for sales and advertising revenues adopted in the 2017-2019 plan, the recoverable value in use of the "Finegil Editoriale Nord-Est" CGU would be equal to the carrying amount if the weighted average cost of capital was 6.77%, rather than the 6.49% currently used.

When determining the fair value less selling costs of the CGU represented by the Group's internet company (Mo-Net), the equity value obtained by applying market multipliers was reduced by a discount factor of 30% to take account of the scale differential and the relative "illiquid" nature of the company compared with the panel of internet companies considered.

A second level impairment test has therefore been carried out on the company as a whole to verify the recoverability of the carrying value of all the CGUs and of the corporate costs/assets of the business as a whole, not allocated to the CGU level.

The second level impairment test was made by considering the sum of the cash flows of each CGU, already tested during the first level impairment test, as well as the valuation of non-allocated costs. This involved estimating the present value of corporate costs (not allocated to the CGU); the present value of these costs has been considered as a reduction in the overall value of the company and has been estimated using after-tax cash flows and an after-tax discount rate similar to those used in the first level test.

For the projection of corporate costs and the determination of cash flows, we have used criteria in line with those applied for the first level impairment test in terms of the explicit forecast period and in terms of growth (beyond the explicit forecast period). To calculate the value in use, the after-tax operating cash flows of the entire Group were taken as a point of reference from the plans drawn up for the years 2017-2019; for the projection of the related cash flows, we used an after-tax rate of 6.49% and a growth rate of zero. In particular, over the Plan period, it has been assumed that there would be a gradual reduction in corporate costs, also including management and administration costs (consultancy, rent, travel expenses, etc.), as already implemented by the Group in recent years. The impairment test carried out on the entity as a whole did not indicate any loss in value.

Automotive sector

The goodwill allocated to the Automotive sector, which coincides with the Sogefi sub-group, amounts to about € 129 million. The Group has therefore allocated all of the goodwill to a single "Automotive" CGU and then, as part of the analyses carried out for impairment testing purposes, identified specific CGUs based on the approach taken by management of the Sogefi sub-group.

In particular, consistent with the prior year and for the sole purpose of determining value in use, the operating cash flows generated by the Sogefi Group have been considered, consistent with the approach taken by the management of the sub-group, in relation to the three business units that came from acquisitions:

- fluid filters;
- air filters and cooling;

- car suspension components.

A test was carried out to check for any impairment of goodwill by comparing the carrying amount of the Automotive CGU with its value in use, represented by the present value of the future cash flows expected to arise from continuing use of the asset being tested for impairment.

The Unlevered DCF method was used, based on projections made in the 2017 budget (approved by the Board of Directors on 23 January 2017) and, for subsequent years, the projections included in the 2018-2020 Plan (adjusted to exclude the expected benefits of future projects and reorganisations), as approved by the Board of Directors of 13 June 2016 and 27 February 2017. The budget and the plan have been developed taking account of forecasts for the automotive industry, as elaborated by the most important sector sources. The discount rate based on the weighted average cost of capital is equal to 8.34%.

The discount rate used for the cash flows was the same for all three business units. In fact, the risk is considered the same based on the fact that the divisions in question operate in the same sector and with the same type of customer.

Lastly, the terminal value was calculated using the perpetuity formula, assuming a growth rate of 2% and an operating cash flow based on the last year of the multi-year business plan (2020), adjusted to project a stable situation into perpetuity, using the following key assumptions:

- an overall balance between investments and amortisation (considering a level of investment necessary to "maintain" the business);
- a zero change in working capital.

The average cost of capital is the result of calculating the weighted average of the cost of debt (based on benchmark rates plus a spread) and the cost of the company's own capital, based on parameters for a sample of companies operating in the European automotive components sector that are considered Sogefi's peers by the main financial analysts who follow this business sector. The figures used in calculating the average cost of capital were as follows:

- financial structure of the sector: 21.7%
- levered beta of the sector: 1.08
- risk-free rate: 3% (annual average for 10-year risk-free government securities of the countries in which the group operates, weighted on the basis of sales);
- risk premium: 6.4% (risk premium, calculated by a leading sector source, of the main countries in which the group operates, weighted on the basis of sales);
- spread on the cost of debt: 3.4% (estimated on the basis of the 2017 budget).

The test carried out on the present value of projected cash flows shows that the Sogefi CGU has a value in use that exceeds its carrying amount; no write-down was therefore made.

In terms of sensitivity analyses, we would point out that the

- impairment test reaches a level of breakeven with the following discount rates (leaving the growth rate of the terminal value at 2% and all the other assumptions of the plan unchanged): 16.6% for the Filtration CGU, 17.2% for the Air and Cooling CGU and 12.3% for the Car Suspension Components CGU;
- the impairment test reaches a level of break even with a significant reduction in EBIT in the explicit period of the plan which also has a knock-on effect on the terminal value (keeping all the other assumptions of the plan the same): -56.8% for the Filtration CGU, -58.3% for the Air and Cooling CGU and -38.7% for the Car Suspension Components CGU.

- the impairment test reaches a level of break even with the following rates of reduction ("g- rate") in the terminal value (keeping all the other assumptions of the plan the same): -10.9% for the Filtration CGU, -10.7% for the Air and Cooling CGU and -3.4% for the Car Suspension Components CGU.

Moreover, in line with the analyses carried out by the Sogefi sub-holding, the Group also set up sensitivity analyses considering changes in the basic assumptions of the impairment tests, particularly in the variables which have most impact on recoverable values (discount rate, growth rate, terminal value). This analysis showed that, even assuming a growth rate of zero, an appreciably higher WACC and significant reductions in EBIT compared with those used in the test, we did not find problematic situations or a significant excess of the carrying amount over the recoverable value.

Lastly, we would point out that the results of the analysis to determine the value in use of the automotive CGU were confirmed by the fair value of the assets held by the Group in the automotive field, expressed by the market value at 31 December 2016 of Sogefi, whose shares are listed on the Milan Stock Exchange.

Healthcare sector

The goodwill allocated to the healthcare sector, which corresponds to the KOS sub-group, amounts to € 233 million. The Group has therefore allocated all of the goodwill to a single "Healthcare" CGU and then, as part of the analyses carried out for impairment testing purposes, identified specific CGUs according to the approach taken by management of the Kos sub-group. In order to check for any impairment in the value of goodwill and other fixed assets shown in the financial statements, the value in use of the CGUs to which the goodwill had been allocated at the KOS sub-group level was calculated.

In application of the methodology set out in IAS 36, the Kos Group identified the CGUs which represent the smallest identifiable group of assets able to generate broadly independent cash flows in its own consolidated financial statements. To identify the CGUs we took into account the organisational structure, the type of business and the ways in which control is exercised over the operations of the CGUs.

Given that the Kos Group operates in four different sectors (care homes for the elderly, rehabilitation, acute medicine and hi-tech services), the CGUs and groups of CGUs identified by Kos management at sub-holding level are as follows:

- in the "care homes" sector, the CGUs were identified, at a first level, in the individual residential care homes, most of them operating under the "Anni Azzurri" brand. They were then grouped together at a second level by region. the third level of grouping includes the whole sector. From 2013, the "Care homes" sector includes the "Redancia" sub-group (psychiatric rehabilitation and management of psychiatric care communities) following the merger of Redancia S.r.l. with Residenze Anni Azzurri S.r.l. and the consequent change in the organisational structure;
- the "Rehabilitation" sector includes the CGUs that operate under the "S. Stefano Riabilitazione" brand (also referred to as "IRSS"). The CGUs were identified, at the first level, as the individual facilities (in "IRSS", one of the CGUs consists of the out-patient centres/day hospitals); subsequently, the individual CGUs are grouped together at a second level by region; the third level of grouping includes the whole sector. The Sanatrix group constitutes a single, first-level CGU. Although Sanatrix's business relates to several business sectors (the elderly, rehabilitation and acute), because of the way in which operations are controlled, it is classified by management as belonging to the "Rehabilitation" sector and therefore follows the second and third level of grouping in the test on "IRSS";
- in the "Acute" sector, the only CGU to be identified is Ospedale di Suzzara;

- in the "Cancer cure and diagnostics" sector (under the Medipass brand) a first level grouping consists of the individual service contracts currently in progress, the structures of the Giordani group, which consists of a single CGU and the services abroad (UK and India, identified on a geographical basis); the second grouping level includes all current contracts of Medipass, the Giordani Group and the services abroad; the third level of grouping includes the whole sector.

The recoverability of the amounts recorded was checked by comparing the net carrying amount attributed to the CGUs, including goodwill, with their recoverable value in use, represented by the present value of the future cash flows estimated to derive from the continuous use of the CGUs' assets and by their terminal value.

More specifically the chart shows the values of goodwill allocated to the operating sectors by the management of Kos and any other items of goodwill allocated to the Healthcare sector that constitute a single CGU at Group level. Although goodwill was also tested at a lower level, the level of allocation of the "Healthcare" CGU is considered significant because it confirms the strategic enterprise vision that CIR's Directors have with regard to the specific characteristics of the sector that the KOS Group belongs to.

<i>(in thousands of euro)</i>	<i>31.12.2016</i>	<i>%</i>
Goodwill allocated by KOS sub-holding		
Care homes	139,191	59.8
Rehabilitation	72,618	31.2
Hi-tech services	19,552	8.4
Corporate	516	0.2
Additional goodwill allocated to the Healthcare CGU	943	0.4
Total	232,820	100.0

In developing the impairment test, we used management's latest budget forecasts for the economic and financial trend during the period 2017-2021, assuming that the assumptions come about and the targets are reached. In calculating the projections, management made various hypotheses based on past experience and expectations regarding the development of the sectors in which the Group operates.

To calculate the terminal value we used a growth rate of 1.5% (the same as in 2015) in line with the average long-term growth rate of production, the reference sector and the country in which the company operates. For prudence sake, the same rate of growth was used for the services abroad (India), even though this country's expected rate of growth is higher. As for the UK activities, no terminal value was calculated as the test period matched the duration of the service contract.

The discount rate used reflects the current market valuations of the cost of money and takes into account the specific risks of the business. For the activities in Italy, this discount rate net of taxation (WACC after-tax) is 6%, while for those in the UK it is 5.9% and for those in India it is 11.2%.

The test carried out on the present value of the projected cash flows shows that the Kos CGU has a value in use that exceeds its carrying amount.

Moreover, in line with the analyses carried out by the KOS sub-holding, the Group also set up sensitivity analyses considering changes in the basic assumptions of the impairment test, particularly in the variables which have most impact on recoverable values (discount rate, growth rate, terminal value).

This analysis, carried out at the testing levels mentioned previously (regions and operating sectors, and therefore at the level of the Healthcare CGU) did not reveal any problems or situations where the carrying value was significantly higher than the recoverable value, even using a growth rate of zero and a considerably higher WACC than the one used in the test.

Lastly, note that the results of the analysis to determine the value in use of the Healthcare CGU were also confirmed by the fair value expressed by the amounts at which we completed the transaction involving the shares held by the minority shareholder of the KOS group during 2016.

7.b. Tangible assets

The changes in "Tangible assets" during the year are shown on the next page.

7.b. Tangible assets

2015	Opening position			Movements during the year								Closing position		
	Original cost	Accumulated depreciation and write-downs	Balance at 31/12/2014	Additions	Business combinations/disposals		Capitalised financial charges	Exchange rate differences	Other changes	Net disposals cost	Depreciation and write-downs	Original cost	Accumulated depreciation and write-downs	Balance at 31/12/2015
					increases	decreases								
(in thousands of euro)														
Land	47,157	(522)	46,635	--	1,302	--	--	15	338	(224)	--	48,588	(522)	48,066
Buildings used for operating purposes	340,586	(150,650)	189,936	4,446	18,914	--	--	(823)	31,588	(671)	(11,708)	393,164	(161,482)	231,682
Plant and machinery	950,545	(728,142)	222,403	25,489	3,551	--	--	(3,725)	28,773	(1,754)	(45,718)	962,357	(733,338)	229,019
Industrial and commercial equipment	129,339	(100,286)	29,053	10,337	238	--	--	364	6,319	(46)	(7,242)	140,773	(101,750)	39,023
Other assets	246,734	(193,446)	53,288	12,679	849	--	--	(329)	3,073	(848)	(11,817)	255,834	(198,939)	56,895
Assets in progress and advance payments	82,108	(728)	81,380	42,108	--	--	--	(190)	(68,648)	(226)	--	55,152	(728)	54,424
Total	1,796,469	(1,173,774)	622,695	95,059	24,854	--	--	(4,688)	1,443	(3,769)	(76,485)	1,855,868	(1,196,759)	659,109

Tangible assets rose from € 622,695 thousand at 31 December 2014 to € 659,109 thousand at 31 December 2015.

2016	Opening position			Movements during the year								Closing position		
	Original cost	Accumulated depreciation and write-downs	Balance at 31/12/2015	Additions	Business combinations/disposals	Capitalised financial charges	Exchange rate differences	Other changes	Net disposals cost	Depreciation and write-downs	Original cost	Accumulated depreciation and write-downs	Balance at 31/12/2016	
					increases	decreases								
(in thousands of euro)														
Land	48,588	(522)	48,066	--	419	(105)	--	(196)	(1,160)	(70)	(56)	47,483	(585)	46,898
Buildings used for operating purposes	393,164	(161,482)	231,682	3,002	4,192	(1,474)	--	217	5	(14)	(14,236)	386,153	(162,779)	223,374
Plant and machinery	962,357	(733,338)	229,019	35,982	17	(1,651)	--	1,305	27,170	(624)	(51,359)	907,552	(667,693)	239,859
Industrial and commercial equipment	140,773	(101,750)	39,023	7,309	132	--	--	224	984	(177)	(8,616)	147,359	(108,480)	38,879
Other assets	255,834	(198,939)	56,895	13,095	41	(331)	--	(72)	5,642	(37)	(12,923)	267,084	(204,774)	62,310
Assets in progress and advance payments	55,152	(728)	54,424	42,101	--	--	--	(415)	(36,087)	(184)	--	60,888	(1,049)	59,839
Total	1,855,868	(1,196,759)	659,109	101,489	4,801	(3,561)	--	1,063	(3,446)	(1,106)	(87,190)	1,816,519	(1,145,360)	671,159

Tangible assets rose from € 659,109 thousand at 31 December 2015 to € 671,159 thousand at 31 December 2016.

DEPRECIATION RATES

Description	%
Buildings used for operating purposes	3%
Plant and machinery	10-25%

Other assets:

- Electronic office equipment	20%
- Furniture and fittings	12%
- Motor vehicles	25%

7.c. Investment property

2015				Movements during the year								Closing position		
	Original cost	Accumulated depreciation and write-downs	Balance at 31/12/2014	Additions	Business combinations/disposals		Capitalised financial charges	Exchange rate differences	Other changes	Net disposals cost	Depreciation and write-downs	Original cost	Accumulated depreciation and write-downs	Balance at 31/12/2015
					increases	decreases								
(in thousands of euro)														
Buildings	28,843	(7,552)	21,291	413	--	--	--	--	1	(41)	(748)	29,215	(8,299)	20,916
Total	28,843	(7,552)	21,291	413	--	--	--	--	1	(41)	(748)	29,215	(8,299)	20,916
2016				Movements during the year								Closing position		
	Original cost	Accumulated depreciation and write-downs	Balance at 31/12/2015	Additions	Business combinations/disposals		Capitalised financial charges	Exchange rate differences	Other changes	Net disposals cost	Depreciation and write-downs	Original cost	Accumulated depreciation and write-downs	Balance at 31/12/2016
					increases	decreases								
(in thousands of euro)														
Buildings	29,215	(8,299)	20,916	136	--	--	--	--	--	--	(908)	29,351	(9,207)	20,144
Total	29,215	(8,299)	20,916	136	--	--	--	--	--	--	(908)	29,351	(9,207)	20,144

Investment property has gone from € 20,916 thousand at 31 December 2015 to € 20,144 thousand at 31 December 2016, mainly due to depreciation for the period. The market value is considerably higher than the carrying value.

DEPRECIATION RATES

Description	%
Buildings	3.00%

LEASING AND RESTRICTIONS FOR GUARANTEES AND COMMITMENTS ON TANGIBLE ASSETS

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

(in thousands of euro)	Gross leasing amount		Accumulated depreciation		Restrictions for guarantees and commitments	
	2016	2015	2016	2015	2016	2015
Land	7,385	7,385	--	--	--	--
Buildings	76,573	76,663	10,491	8,390	131,178	131,178
Plant and machinery	22,339	19,244	8,939	6,172	--	144,963
Other assets	2,203	2,862	1,739	2,150	--	183
Assets in progress and advance payments	7,353	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.

7.d. Investments in companies consolidated at equity

(in thousands of euro)

2015		Balance 31.12.2014	Increases (Decreases)	Write-downs	Dividends	Pro-rata share of result		Other changes	Balance 31.12.2015
						Loss	Income		
Persidera S.p.A.	30.00	130,103	--	(17,112)	(2,856)	--	2,949	--	113,084
Editoriale Libertà S.p.A.	35.00	13,920	--	--	(350)	--	341	--	13,911
Editoriale Corriere di Romagna S.r.l.	49.00	3,058	--	--	--	--	98	--	3,156
Altrimedia S.p.A.	35.00	681	--	--	--	--	60	--	741
Le Scienze S.p.A.	50.00	143	--	--	(72)	--	17	--	88
Devil Peak S.r.l.	36.16	--	--	--	--	--	--	--	--
Apokos Rehab PVT Ltd	50.00	191	567	--	--	(33)	--	--	725
Huffingtonpost Italia S.r.l.	49.00	205	--	--	--	(77)	--	--	128
Total		148,301	567	(17,112)	(3,278)	(110)	3,465	--	131,833

(in thousands of euro)

2016		Balance 31.12.2015	Increases (Decreases)	Write-downs	Dividends	Pro-rata share of result		Other changes	Balance 31.12.2016
						Loss	Income		
Persidera S.p.A.	30.00	113,084	--	--	(2,802)	--	367	--	110,649
Editoriale Libertà S.p.A.	35.00	13,911	--	--	(350)	--	390	--	13,951
Editoriale Corriere di Romagna S.r.l.	49.00	3,156	--	--	--	--	108	--	3,264
Altrimedia S.p.A.	35.00	741	--	--	(53)	--	45	--	733
Le Scienze S.p.A.	50.00	88	--	--	--	--	63	--	151
Devil Peak S.r.l.	36.16	--	--	--	--	--	--	--	--
Apokos Rehab PVT Ltd	50.00	725	378	--	--	(167)	--	--	936
Huffingtonpost Italia S.r.l.	49.00	128	132	--	--	--	43	--	303
Total		131,833	510	--	(3,205)	(167)	1,016	--	129,987

At 31 December 2016, the investments held in Persidera S.p.A., Editoriale Libertà S.p.A. and Editoriale Corriere di Romagna S.r.l., were subjected to an impairment test, using methodologies and assumptions similar to those adopted for the Espresso Group CGU in determining both the fair value and value in use, taking into account the specific areas of activity of each company. More precisely, the recoverable amount of the investment - comparative term for assessing the presence of an impairment loss - was determined in accordance with IAS 36 as the higher of fair value less selling costs and value in use: the first was estimated by reference to market multiples; the second was

quantified according to the expected cash flows from the investment, based on the 2017-2019 budgets. In particular, for the "Persidera CGU", the fair value less costs to sell is based on direct multiples taken from comparable listed companies. This approach seems preferable to that used in the past which made reference to transactions involving television frequencies that occurred in the Italian market in an era that at this point is far too remote.

In determining the value in use of the CGU concerned, the 2017-2019 business plan approved by the Board of Directors of Persidera S.p.A. on 25 January 2017 was used as a control method.

The discount rate applied to the expected cash flows was 8.16%, taking into account the specific characteristics of the business and the company.

The impairment test carried out at the end of 2016 on the investments in Persidera S.p.A., Editoriale Corriere di Romagna S.r.l. and Editoriale Libertà S.p.A. did not reveal loss in value.

7.e. Other investments

<i>(in thousands of euro)</i>	31.12.2016	31.12.2015
Ansa S. Coop. A.R.L.	1,902	2,209
Emittenti Titoli S.p.A.	132	132
Other	3,289	3,489
Total	5,323	5,830

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 31 December 2016 had a balance of € 79,099 thousand, compared with € 87,075 thousand at 31 December 2015.

At 31 December 2016, this item includes the following:

- € 38,910 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.;
- € 9,955 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 31 December 2016;
- € 17,164 thousand of amounts due from the Treasury to the Sogefi Group, mainly relating to tax receivables for research and development of the French subsidiaries.

7.g. Securities

"Securities" at 31 December 2016 amounted to € 85,009 thousand, compared with € 87,383 thousand at 31 December 2015, and refer mainly to investments in private equity funds and minority shareholdings. These investments were measured at fair value, booking as the contra-entry an amount, net of tax, of € 13,170 thousand (€ 14,582 thousand at 31 December 2015) to the fair value reserve for Cofide's portion. During the year, gains for € 13,329 thousand (€ 14,545 thousand in

2015) were realised and booked to item 14.c. "Gains on securities trading". At 31 December 2016, the residual commitment for investment in private equity funds stood at € 4 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:

(in thousands of euro)	2016		2015	
	Total delle differenze temporary	Tax effectTotal	Ammontare temporary differences	Tax effect
Deductible temporary differences from:				
- write-down of current assets	39,013	9,911	45,758	11,996
- write-down of fixed assets	55,752	14,221	51,349	14,368
- revaluation of current liabilities	22,362	6,443	22,645	6,005
- revaluation of personnel provisions	75,010	17,879	61,385	17,030
- revaluation of provisions for risks and losses	78,597	21,046	76,011	23,686
- revaluation of long-term borrowings	--	--	--	--
- write-down of financial instruments	691	143	907	228
- tax losses from previous years	72,757	22,092	105,578	31,434
Total deferred tax assets	344,182	91,735	363,633	104,747
Taxable temporary differences from:				
- revaluation of current assets	9,247	2,226	638	160
- revaluation of fixed assets	480,722	134,142	446,959	125,621
- write-down of current liabilities	66,796	11,131	49,159	7,943
- valuation of personnel provisions	8,437	2,095	5,109	1,335
- write-down of provisions for risks and losses	--	--	424	127
- revaluation of financial instruments	996	239	174	49
Total deferred tax liabilities	566,198	149,833	502,463	135,235
Net deferred taxes		(58,098)		(30,488)

Deferred tax assets have been recognised, at operational sub-group level, with reference to their recoverability based on the related business plans and to the national tax consolidation stipulated at CIR Group level.

Prior-year losses not used in the calculation of deferred taxes relate to CIR International for approximately € 412.9 million, which can be carried forward without any limit, and to other Group companies for € 89.4 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 year were as follows:

2016 (in thousands of euro)	Balance at 31.12.2015	Use of deferred taxes from prior periods	Deferred taxes generated in the period	Exchange rate differ- ences and other changes	Balance at 31.12.2016
Deferred tax assets:					
- income statement	84,269	(17,055)	5,050	--	72,264
- equity	20,478	(1,064)	123	(66)	19,471
Deferred tax liabilities:					
- income statement	(112,856)	368	(11,225)	--	(123,713)
- equity	(22,379)	764	(3,018)	(1,487)	(26,120)
Net deferred taxes	(30,488)				(58,098)

2015 (in thousands of euro)	Balance at 31.12.2014	Use of deferred taxes from prior periods	Deferred taxes generated in the period	Exchange rate differ- ences and other changes	Balance at 31.12.2015
Deferred tax assets:					
- income statement	92,495	(11,005)	4,010	(1,231)	84,269
- equity	23,458	(4,227)	--	1,247	20,478
Deferred tax liabilities:					
- income statement	(123,855)	10,372	(357)	984	(112,856)
- equity	(19,458)	--	(1,677)	(1,244)	(22,379)
Net deferred taxes	(27,360)				(30,488)

8. Current assets

8.a. Inventories

Inventories can be broken down as follows:

(in thousands of euro)	31.12.2016	31.12.2015
Raw materials, secondary materials and consumables	71,729	69,835
Work in progress and semi-finished goods	15,867	13,888
Finished goods and goods for resale	49,810	50,332
Advance payments	--	--
Total	137,406	134,055

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

8.b. Trade receivables

(in thousands of euro)	31.12.2016	31.12.2015
Receivables - customers	412,704	413,678
Receivables - associates	1,542	2,259
Total	414,246	415,937

"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.

In 2016, provisions for write-downs were made for a total of € 6,567 thousand compared with € 6,679 thousand in 2015.

8.c. Other receivables

<i>(in thousands of euro)</i>	<i>31.12.2016</i>	<i>31.12.2015</i>
Receivables - subsidiaries and joint ventures	--	551
Receivables - associates	105	104
Tax receivables	46,844	51,970
Other receivables	45,914	44,940
Total	92,863	97,565

"Receivables - subsidiaries and joint ventures" of last year referred to the loan granted to Southlands S.r.l. whose assets and liabilities were reclassified in accordance with IFRS 5. The loan was repaid, together with the sale of the company, in August 2016 and we made a write-down of € 54 thousand to adjust the value of the loan to the Company's sale price.

8.d. Financial receivables

"Financial receivables" went from € 30,496 thousand at 31 December 2015 to € 30,183 thousand at 31 December 2016. This item includes € 16,025 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 € 9,788 thousand of receivables due to the Kos Group by factoring companies for non-recourse assignments.

8.e. Securities

This item consists of the following categories of securities:

<i>(in thousands of euro)</i>	<i>31.12.2016</i>	<i>31.12.2015</i>
Italian Government securities or similar securities	--	2,562
Investment funds and similar funds	42,874	62,327
Bonds	6,401	33,227
Certificates of deposit and other securities	16,882	32,896
Total	66,157	131,012

The fair value measurement of "Securities" led to a positive adjustment to the income statement of € 5,236 thousand.

8.f. Available-for-sale financial assets

This item totals € 234,012 thousand (€ 251,510 thousand at 31 December 2015) and refers for € 38,729 thousand (€ 45,996 thousand at 31 December 2015) 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 € 9,042 thousand (€ 7,305 thousand at 31 December 2015). The effect of this measurement on Cofide's equity for its share came to € 4,941 thousand. During the year, gains for € 666 thousand (€ 19,582 thousand in 2015) were realised and booked to item 14.c. "Gains on securities trading", as well as negative adjustments to the income statement of € 564 thousand (€ 3,825 thousand in 2015).

This item also includes € 195,283 thousand (€ 205,514 thousand at 31 December 2015) 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 year came to € 3,379 thousand (€ 2,201 thousand in 2015). The fair value measurement of policies with yields deriving from unit-linked funds has resulted in positive adjustment from fair value of € 241 thousand, net of tax effect. The effect of this measurement on Cofide's equity for its share came to € 131 thousand.

8.g. Cash and cash equivalents

Cash and cash equivalents increased from € 312,643 thousand at 31 December 2015 to € 333,263 thousand at 31 December 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 € 3,418 thousand refers to a plot of land and a building belonging to Sogefi Suspension France S.A., which were reclassified to this item as their sale is expected to take place in 2017.

9. Equity

9.a. Share capital

The share capital at 31 December 2016 amounts to € 359,604,959.00, the same as at 31 December 2015, and is made up of 719,209,918 ordinary shares with a nominal value of € 0.50 each.

The share capital is fully subscribed and paid up.

9.b. Reserves

The changes 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>Other reserves</i>	<i>Total reserves</i>
Balance at 31 December 2014	5,044	22,644	14,051	(5,001)	53,145	89,883
Retained earnings	--	--	--	--	--	--
Fair value measurement of hedging instruments	--	--	6,038	--	--	6,038
Fair value measurement of securities	--	--	1,438	--	--	1,438
Securities fair value reserve released to income statement	--	--	(7,538)	--	--	(7,538)
Effects of equity changes in subsidiaries	--	--	723	(377)	15,200	15,546
Currency translation differences	--	--	922	1,202	--	2,124
Actuarial gains (losses)	--	--	--	--	3,080	3,080
Balance at 31 December 2015	5,044	22,644	15,634	(4,176)	71,425	110,571
Retained earnings	--	--	--	--	--	--
Fair value measurement of hedging instruments	--	--	486	--	--	486
Fair value measurement of securities	--	--	(274)	--	--	(274)
Securities fair value reserve released to income statement	--	--	(314)	--	--	(314)
Effects of equity changes in subsidiaries	--	--	301	(9)	(12,458)	(12,166)
Currency translation differences	--	--	--	751	--	751
Actuarial gains (losses)	--	--	--	--	(4,013)	(4,013)
Balance at 31 December 2016	5,044	22,644	15,833	(3,434)	54,954	95,041

The "Fair value reserve", net of tax, was positive for € 15,833 thousand and refers (in positive) to the measurement of "Securities" in item 7.g. for € 13,170 thousand, to the measurement of "Available-for-sale financial assets" in item 8.f. for € 5,072 thousand and (in negative) to the measurement of hedges for € 2,409 thousand.

The "Translation reserve" had a negative balance of € 3,434 thousand at 31 December 2016 with the following breakdown:

<i>(in thousands of euro)</i>	<i>31.12.2015</i>	<i>Increases</i>	<i>Decreases</i>	<i>31.12.2016</i>
Sogefi Group	(9,651)	113	--	(9,538)
Kos Group	130	--	(5)	125
CIR International	5,418	637	--	6,055
Other	(73)	--	(3)	(76)
Total	(4,176)	750	(8)	(3,434)

The breakdown of "Other reserves" at 31 December 2016 was as follows:

(in thousands of euro)

Merger surplus	43
Reserve for the difference between the carrying values of investee companies and the respective portions of consolidated equity	54,911
Total	54,954

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:

(in thousands of euro)	31.12.2016	31.12.2015
Gruppo Editoriale L'Espresso S.p.A. Convertible Bond 2.625% 2014/2019	83,526	79,497
SOGEFI S.p.A. Bond 2013/2020 in USD	93,228	105,302
SOGEFI S.p.A. Bond 2013/2020	24,953	24,940
SOGEFI S.p.A. 2% 2014/2021 Convertible Bond	82,035	78,627
Total	283,742	288,366

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

(in thousands of euro)	31.12.2016	31.12.2015
Collateralised bank loans	35,317	42,179
Other bank loans	172,594	275,464
Leases	94,368	89,767
Other payables	9,536	14,500
Total	311,815	421,910

This item comprises loans obtained by the Sogefi group of € 65,531 thousand, by the KOS group of € 209,288 thousand, as well as a loan granted to COFIDE of € 36,996 thousand.

"Other payables" include € 7,550 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>	31.12.2016	31.12.2015
Employee leaving indemnity (TFR)	70,539	75,118
Pension funds and similar obligations	60,519	49,504
Total	131,058	124,622

<i>(in thousands of euro)</i>	31.12.2016	31.12.2015
Opening balance	124,622	143,854
Provisions for service during the period	21,477	22,343
Increases for interest	2,643	2,732
Actuarial gains or losses	13,413	(10,529)
Benefits paid	(10,167)	(13,808)
Increases or decreases due to changes in the scope of consolidation	(2,212)	28
Other changes	(18,718)	(19,998)
Closing balance	131,058	124,622

The significant change in "Actuarial gains or losses" reflects the reduction in the discounting rate from 3.9% to 2.8% of the "Pension Funds" within the Sogefi Group.

Employee Leaving Indemnity and Defined Benefit Provision

Annual technical discount rate	1.31% - 1.50%
Annual inflation rate	1.50% - 1.80%
Annual rate of pay increases	0.50% - 2.50%
Annual rate of TFR increase	2.625%

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	5,827	458	3,565	9,850
Used	(1,021)	(3,621)	(3,111)	(7,753)
Exchange rate differences	16	50	(30)	36
Other changes	(2,428)	25	2,964	561
Balance at 31 December 2016	15,128	2,106	66,443	83,677

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. (formerly Systèmes Moteurs S.A.S., "SM"), before and after its acquisition by Dayco Europe S.r.l. (which took place in 2011). In the company's opinion, the defect was caused by a thermostat at the base of the component, made by a supplier of SM; in 2012 the Company started a lawsuit against the supplier in a French court, asking for a refund of any compensation that it might have to pay to the customers.

The lawsuit involved a technical inspection with a view to defining the reasons for the product defect. Subsequently, both subcontractors and customers got involved in this technical verification process, as was Dayco.

At present, the main task of the court-appointed expert is to ascertain the nature of the defect, the responsibilities of the various parties involved and the extent of the damage.

As regards the nature of the defect, to date, the expert has established that the defect originated in the thermostat made by SM's supplier.

Regarding the responsibilities of the parties involved, the expert is analysing the different stages of the product approval procedure to determine the relative division of responsibilities among the various parties involved (the thermostat supplier, its subcontractors, SM, as a supplier of first level, and customers).

As for quantification of the damages, the expert was asked to assess the reasonableness of the amounts quantified by customers to be submitted to the court for the division of the damages once they are definitively quantified among the various parties involved.

With specific reference to the extent of the damages, customers have quantified them for a total of € 188.5 million, of which € 122.6 million mainly related to past and future campaigns, and € 65.9 million for reputational damage and loss of earnings. Based on the current proceedings, the Company and its legal counsel believe that the likelihood of a liability of € 65.9 million as a result of this claim is remote.

As for the request for € 122.6 million (€ 122.8 million at 31 December 2015), the company carried out a detailed analysis of the claim in order to identify the periods of production and estimated that, prior to any distribution of responsibilities, € 60.2 million (€ 60.4 million at 31 December 2015) relate to production runs prior to the acquisition of MS and € 62.4 million to post-acquisition output.

In this regard, in May 2016, the company received the outcome of the international arbitration against Dayco for the recovery of costs incurred after the acquisition of SM.

In a nutshell, the arbitration confirmed a general principle that an indemnity should be paid by Dayco in favour of Sogefi for a claim relating to production prior to the acquisition of SM by Sogefi, condemning Dayco to pay compensation of € 9.4 million for the claims already settled (also consisting of amounts paid in connection with the defective component). The arbitration award was collected at the end of 2016.

The general principle that an indemnity should be paid will, where appropriate, be applied against Dayco in relation to amounts paid to customers for production of the defective part prior to the acquisition of SM by Sogefi.

On the other hand, the arbitration makes Sogefi responsible for any claim payments relating to production subsequent to the acquisition.

As for claims relating to post-acquisition production, the Company estimates a total of € 62.4 million before a possible division of responsibilities between the various parties involved (supplier of the thermostat, its subcontractors, SM and the customers).

The company, supported by its legal counsel, thinks it possible that a portion of these amounts will not be recognised by the expert.

SM has paid € 21 million on a provisional basis to meet customers' demands. These amounts were paid under so-called "standstill agreements" without any admission of responsibility. These amounts will be adjusted and possibly partially reimbursed when the judgement on the issue will be issued, i.e. under later settlement agreements.

In addition, at the end of 2015, the company had a provision for product warranties, less the € 21 million already paid, totalling € 16.3 million. This amount was retested at the end of 2016, taking into account the latest developments in the lawsuit and the company, supported by its legal counsel, confirmed this provision, considering it prudent.

With reference to the compensation expected from the seller of the shares in SM., 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 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 has, therefore, written down its indemnification asset by that amount at 31 December 2016.

The residual value of the indemnification asset, after the writedown and the proceeds from the award, therefore comes to € 10 million at the end of 2016.

Lastly, note that the award has been the subject of a partial appeal before the Milan Court of Appeal, both by Sogefi and by Dayco. Sogefi has challenged the part of the award that rules that it would have to pay for claims relating to products made after the acquisition; Dayco has challenged the part of the award that confirmed the validity of the compensation in favour of Sogefi foreseen in the acquisition agreement. In this latter regard, at present, the validity has been confirmed both by the award and, on a preliminary basis, in the context of the case brought by Dayco to obtain a declaration of suspension of enforceability of the award; this request was rejected by the Milan Court of Appeal which confirmed the enforceability of the award.

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 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	4,683	11,627	55,457	71,767
Provisions made during the period	317	3,816	11,439	15,572
Used	(2,875)	(7,863)	(7,017)	(17,755)
Exchange rate differences	--	--	(67)	(67)
Other changes	2,570	--	690	3,260
Balance at 31 December 2016	4,695	7,580	60,502	72,777

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 € 20,980 thousand, includes € 15,586 thousand representing the current portion of the Sogefi S.p.A. Bond 2013/2023 denominated in USD and € 5,394 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>	31.12.2016	31.12.2015
Collateralised bank loans	6,808	5,758
Other bank loans	149,068	91,232
Leases	12,092	10,252
Other borrowings	33,211	43,074
Total	201,179	150,316

"Other borrowings" relate for € 122,017 thousand to loans within the Sogefi Group, for € 50,545 thousand to loans within the Kos Group and for € 28,135 thousand to loans within the Espresso Group.

11.c. Trade payables

<i>(in thousands of euro)</i>	31.12.2016	31.12.2015
Payables - subsidiaries and joint ventures	9	9
Payables - associates	2,180	2,242
Payables - suppliers	427,221	421,747
Advance payments	3,944	4,175
Total	433,354	428,173

11.d. Other payables

<i>(in thousands of euro)</i>	31.12.2016	31.12.2015
Due to employees	72,103	73,257
Tax payables	40,834	32,467
Social security payables	47,057	48,705
Other payables	39,703	46,556
Total	199,697	200,985

Income Statement

12. Revenues

BREAKDOWN BY BUSINESS SECTOR

<i>(in millions of euro)</i>	2016		2015		Change %
	amount	%	amount	%	
Media	585.5	22.3	605.1	23.8	(3.2)
Automotive components	1,574.1	60.1	1,499.1	58.9	5.0
Healthcare	461.1	17.6	439.2	17.3	5.0
Other	--	--	1.0	--	n.s.
Total consolidated revenues	2,620.7	100.0	2,544.4	100.0	3.0

BREAKDOWN BY GEOGRAPHICAL AREA

<i>(in millions of euro)</i>							
2016	Total revenues	Italy	Other European countries	North America	South America	Asia	Other countries
Media	585.5	585.5	--	--	--	--	--
Automotive components	1,574.1	101.9	855.3	308.7	162.2	139.6	6.4
Healthcare	461.1	449.5	6.9	--	--	4.7	--
Other	--	--	--	--	--	--	--
Total consolidated revenues	2,620.7	1,136.9	862.2	308.7	162.2	144.3	6.4
Percentages	100.0%	43.4%	32.9%	11.8%	6.2%	5.5%	0.2%

<i>(in millions of euro)</i>							
2015	Total revenues	Italy	Other European countries	North America	South America	Asia	Other countries
Media	605.1	605.1	--	--	--	--	--
Automotive components	1,499.1	104.2	839.6	264.1	174.5	111.2	5.5
Healthcare	439.2	428.5	7.5	--	--	3.2	--
Other	1.0	--	1.0	--	--	--	--
Total consolidated revenues	2,544.4	1,137.8	848.1	264.1	174.5	114.4	5.5
Percentages	100.0%	44.7%	33.3%	10.4%	6.9%	4.5%	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 year 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

This item has risen from € 937,923 thousand in 2015 to € 988,180 thousand in 2016. The increase is mainly attributable to the Sogefi Group.

13.b. Costs for services

This item went from € 624,563 thousand at 31 December 2015 to € 614,406 thousand at 31 December 2016, as can be seen from the following breakdown:

<i>(in thousands of euro)</i>	2016	2015
Technical and professional consulting	91,331	83,968
Distribution and transport costs	35,726	39,327
Outsourcing	36,773	46,913
Other expenses	450,576	454,355
Total	614,406	624,563

The decrease in “Costs for services” is mainly attributable to the Sogefi Group and to the KOS Group.

13.c. Personnel costs

Personnel costs totalled € 712,409 thousand at 31 December 2016 (€ 708,634 thousand at 31 December 2015).

<i>(in thousands of euro)</i>	2016	2015
Salaries and wages	487,829	485,043
Social security contributions	157,921	155,928
Employee leaving indemnity	19,159	18,738
Pensions and similar benefits	2,305	3,254
Valuation of stock option plans	4,242	4,090
Other costs	40,953	41,581
Total	712,409	708,634

The Group had an average of 13,849 employees in 2016 (14,064 in 2015).

13.d. Other operating income

This item can be broken down as follows:

<i>(in thousands of euro)</i>	2016	2015
State grants	854	630
Capital gains on asset disposals	2,287	3,759
Miscellaneous gains and other income	23,671	28,017
Total	26,812	32,406

13.e. Other operating expense

This item can be broken down as follows:

<i>(in thousands of euro)</i>	2016	2015
Write-downs and losses on receivables	7,574	9,680
Allocations to provisions for risks and losses	13,678	26,605
Indirect taxes	32,188	30,861
Restructuring charges	4,239	6,100
Capital losses on asset disposals	700	2,018
Miscellaneous losses and other costs	22,474	16,822
Total	80,853	92,086

The decrease in the "Allocations to provisions for risks and losses" is principally 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 includes the following:

<i>(in thousands of euro)</i>	2016	2015
Interest income on bank accounts	850	1,587
Interest on securities	1,386	2,110
Other interest income	7,328	5,128
Interest rate derivatives	3,028	3,419
Exchange gains	433	1,357
Other financial income	33	2
Total	13,058	13,603

14.b. Financial expense

This item includes the following:

<i>(in thousands of euro)</i>	2016	2015
Interest expense on bank accounts	12,550	16,455
Interest expense on bonds	20,105	19,511
Other interest expense	11,902	9,348
Interest rate derivatives	6,222	6,794
Exchange losses	93	1,008
Other financial expenses	10,480	11,728
Total	61,352	64,844

14.c. Gains from trading securities

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

<i>(in thousands of euro)</i>	2016	2015
Shares - subsidiaries	2,488	--
Shares - other companies	5	192
Other securities and other gains	14,089	77,151
Total	16,582	77,343

The item "Shares - subsidiaries" refers to the gain of the Espresso Group due to the sale of Il Centro and La Città and of the investment in Seta.

Last year, "Other securities and other gains" included the gain of € 40.5 million on the sale of the investment in SEG (Swiss Education Group).

14.d. Losses from trading securities

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

<i>(in thousands of euro)</i>	2016	2015
Shares - other companies	--	2,030
Other securities and other losses	668	330
Total	668	2,360

14.e. Adjustments to the value of financial assets

This item is positive for € 3,827 thousand and refers for € 4,672 thousand to the fair value adjustment of "Securities" and "Available-for-sale financial assets" classified as current assets, and for € 845 thousand to the write-down of "Securities" and "Equity investments" classified as non-current assets.

15. Income taxes

Income taxes can be broken down as follows:

<i>(in thousands of euro)</i>	2016	2015
Current taxes	31,257	23,398
Deferred taxes	21,974	(2,741)
Prior year taxes	(39)	289
Total	53,192	20,946

The following table shows a reconciliation of the ordinary tax rate and the effective tax rate for 2016:

<i>(in thousands of euro)</i>	<i>2016</i>
Pre-tax income (loss) as per the financial statements	111,680
Theoretical income taxes	30,712
Tax effect of non-deductible costs	6,374
Tax effect of prior year losses which generate deferred tax assets in the current year	--
Tax effect of prior year losses which did not generate deferred tax assets	(5,394)
Tax effect on interest rate differentials of foreign companies	(43)
Non-taxable grants	(5,590)
Other	20,845
Income taxes	46,904
Average effective tax rate	42.00
Theoretical tax rate	27.50
IRAP and other taxes	6,327
Prior year taxes	(39)
Total taxes as per the financial statements	53,192

16. Income/(loss) from assets held for sale

On 30 January 2015, the Espresso Group completed the transfer of ownership of All Music, a company of the Espresso Group that produces DeeJay TV, a generalist national TV channel, to Discovery Italia. Therefore, this item includes the company's results until the effective transfer date, as well as gains realised on the sale (€ 2,000 thousand in 2016 and € 10,298 in 2015). Note that the balance of the previous year included a loss of € 921 thousand related to the investment in Southlands S.r.l. which operates in the "Education" sector.

17. Earnings per share

Basic earnings (loss) 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 (loss) 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 does not have any outstanding options or treasury shares, so the diluted earnings (loss) per share is the same as the basic earnings (loss) per share.

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

	2016	2015
Net income (loss) attributable to the shareholders (in thousands of euro)	21,249	18,687
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings (loss) per share (euro)	0.0295	0.0260

	2016	2015
Net income (loss) from the statement of comprehensive income attributable to the shareholders (in thousands of euro)	17,977	23,905
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings (loss) per share (euro)	0.0250	0.0332

18. Dividends paid

Dividend payments during 2016 amounted to € 10,069 thousand, being € 0.014 per share.

19. Financial risk management: additional disclosures (IFRS 7)

The COFIDE 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.

19.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.

The following chart shows the results of the sensitivity analysis for exchange rate risk:

<i>Sensitivity analysis on the EUR/USD exchange rate</i>	31.12.2016		31.12.2015	
Shift in the EUR/USD exchange rate	-5%	+5%	-5%	+5%
Effect on income statement (EUR/thousand)	491	(487)	364	(663)
Effect on equity (EUR/thousand)	491	(487)	364	(663)

19.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, whether the company is in financial difficulty or is involved in disputes and the existence of legal or insolvency proceedings.

Since 2006 the COFIDE 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.

19.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.

19.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.

Sensitivity analysis

A one percent parallel shift in the 3-month Euribor curve on the Group's floating rate assets and liabilities would have the following effects:

<i>(in thousands of euro)</i>	<i>31.12.2016</i>		<i>31.12.2015</i>	
Change	-1%	+1%	-1%	+1%
Change in income statement	(2,488)	680	(3,650)	4,020
Change in equity	(2,734)	1,404	(4,023)	4,248

(*) Note that for the KOS Group, given that interest rates in 2015 and 2016 reached low levels tending to zero, it was decided only to evaluate the effect of a +1% change in interest rates on the income statement and balance sheet%.

19.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%.

At 31 December 2016, the Group had the following derivatives outstanding accounted for as hedges, expressed at their notional value:

a) interest rate hedge:

- hedging of Sogefi bank borrowings, with a notional value of € 190 million, maturing in 2018;
- hedging of Kos Group bank borrowings, with a notional value of € 65.2 million.

b) exchange rate hedge:

- forward sales totalling USD 44.2 million to hedge investments in hedge funds, expiring in March 2017;

The following hedging transactions have been carried out by the Sogefi group:

- forward sales of USD 19 million and purchases of Euro expiring in 2017;
- forward sales of Euro 0.6 million and purchases of GBP expiring in 2017;
- forward sales of USD 1.6 million and purchases of BRL expiring in 2017;
- forward purchases of GBP 8 million and sales of Euro expiring in 2017;
- forward purchases of Euro 2.35 million and sales of INR expiring in 2017;
- forward purchases of Euro 0.35 million and sales of BRL expiring in 2017;
- forward purchases of USD 2 million and sales of ARS expiring in 2017;
- arrangement of cross currency swaps expiring in 2023 to hedge the private placement of bonds with a notional amount of USD 115 million.

19.f. Capital ratios

Management modulates the use of leverage to guarantee solidity and flexibility in the capital structure measuring the ratio of funding sources to investment activity.

19.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 31 December 2016, all contractual clauses relating to medium and long term financial liabilities were fully complied with by the Group.

Below is a summary of the main covenants relating to the borrowings of the operating sub-holding companies outstanding at year 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 year end are described below:

- 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 - Société Générale 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 31 December 2016, these covenants were all respected.

▪ KOS Group

The Kos Group has undertaken to comply with the following covenants 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 Clearmedi Ltd: *Tangible Net Worth* greater than INR 110 million, *Turnover* greater than INR 320 million and *Gearing* of less than 11;
- loan obtained by Clearmedi Ltd: *Tangible Net Worth* greater than INR 100 million and *Gearing* lower than 7.5.

At 31 December 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.

19.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.

The following table gives a breakdown of financial assets and liabilities measured at fair value with an indication of whether the fair value is determined, in whole or in part, directly by reference to price quotations published in an active market ("Level 1") or estimated using prices derived from market quotations for similar assets or using valuation techniques for which all significant factors are derived from observable market data ("Level 2") or from valuation techniques based mainly on input not observable on the market, which therefore involve estimates and assumptions being made by management ("Level 3").

F.S. items	Level 1	Level 2	Level 3	Total
<i>(in thousands of euro)</i>				
NON-CURRENT ASSETS				
<i>Financial assets</i>				
<i>(measured at fair value through equity)</i>				
Other receivables (item 7.f.)				
- derivatives	--	--	--	--
Non-current securities (item 7.g.)	--	84,302	707	85,009
<i>Financial assets</i>				
<i>(measured at fair value through profit and loss)</i>				
Other receivables (item 7.f.)				
- derivatives	--	--	--	--
Non-current securities (item 7.g.)	--	--	--	--
CURRENT ASSETS				
<i>Financial assets</i>				
<i>(measured at fair value through profit and loss)</i>				
Other receivables (item 8.c.)				
- derivatives	--	16,051	--	16,051
Financial receivables (item 8.d.)				
- derivatives	--	--	--	--
Current securities (item 8.e.)				
- Equity investments	--	1,620	--	1,620
- Italian Government securities or similar securities	--	--	--	--
- Investment funds and similar funds	33,229	9,645	--	42,874
- Bonds	6,401	--	--	6,401
- Certificates of deposit and other securities	--	11,312	--	11,312
Total current securities (item 8.e.)	39,630	22,577	--	62,207
Available-for-sale financial assets (item 8.f.)				
- Certificates of deposit and other securities	--	174,905	--	174,905
Total available-for-sale financial assets (item 8.f.)	--	174,905	--	174,905
<i>Financial assets</i>				
<i>(measured at fair value through equity)</i>				
Other receivables (item 8.c.)				
- derivatives	--	--	--	--
Financial receivables (item 8.d.)				
- derivatives	--	--	--	--
Available-for-sale financial assets (item 8.f.)				
- Equity investments	--	--	--	--
- Italian Government securities or similar securities	--	--	--	--
- Investment funds and similar funds	--	38,729	--	38,729
- Bonds	--	--	--	--
- Certificates of deposit and other securities	--	20,378	--	20,378
Total available-for-sale financial assets (item 8.f.)	--	59,107	--	59,107
NON-CURRENT LIABILITIES				
<i>Financial liabilities</i>				
<i>(measured at fair value through equity)</i>				
Other borrowings (item 10.b.)				
- derivatives	--	--	--	--
<i>Financial liabilities</i>				
<i>(measured at fair value through profit and loss)</i>				
Other borrowings (item 10.b.)				
- derivatives	--	(7,550)	--	(7,550)
CURRENT LIABILITIES				
<i>Financial liabilities</i>				
<i>(measured at fair value through equity)</i>				
Other borrowings (item 11.b.)				
- derivatives	--	(566)	--	(566)
Other payables (item 11.d.)				
- derivatives	--	--	--	--
<i>Financial liabilities</i>				
<i>(measured at fair value through profit and loss)</i>				
Other borrowings (item 11b.)				
- derivatives	--	(1,409)	--	(1,409)
Other payables (item 11.d.)				
- derivatives	--	--	--	--

No transfers were made between the different levels of the fair value hierarchy during the year. 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).

Changes during the year in financial assets measured at fair value (level 3):

<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>
Opening balance at 01/01/2016	--	--	858	--
Increases				
- Purchases	--	--	--	--
- Gains recognised to:				
income statement (1)	--	--	591	--
- of which gains	--	--	591	--
equity (2)	--	--	--	--
Transferred from other levels	--	--	--	--
Other increases	--	--	--	--
Reclassifications	--	--	--	--
Decreases				
- Sales	--	--	(588)	--
- Repayments			--	
- Losses recognised to:				
Income Statement (3)	--	--	--	--
- of which losses	--	--	--	--
Equity (4)	--	--	(150)	--
Transferred from other levels	--	--	--	--
Other decreases	--	--	(4)	--
Closing balance at 31/12/2016	--	--	707	--

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

- *Item 14.c.: Gains on securities trading*
- *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".

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE FINANCIAL STATEMENTS
2016

<i>(in thousands of euro)</i>	<i>F.S. items</i>	<i>Carrying amount</i>	<i>FVTPL assets designated as such on initial recognition</i>	<i>FVTPL assets classified as held for trading</i>	<i>Loans and receivables</i>	<i>Investments held to maturity</i>	<i>Available-for-sale financial assets</i>	<i>FVTPL liabilities designated as such on initial recognition</i>	<i>FVTPL liabilities classified as held for trading</i>	<i>Liabilities at amortised cost</i>	<i>Fair value</i>	<i>Effect on the income statement</i>	<i>Effect on equity</i>
NON-CURRENT ASSETS													
Other investments	7.e.	5,323	--	--	--	--	5,323	--	--	--	5,323	1,749	--
Other receivables (*)	7.f.	61,461	--	--	60,776	685	--	--	--	--	61,461	3,500	--
Securities	7.g.	85,009	--	--	--	--	85,009	--	--	--	85,009	18,118	114
CURRENT ASSETS													
Trade receivables	8.b.	414,246	--	--	414,246	--	--	--	--	--	414,246	(4,866)	--
Other receivables (**)	8.c.	46,019	--	--	46,019	--	--	--	--	--	46,019	(300)	--
Financial receivables	8.d.	30,183	16,051	--	14,132	--	--	--	--	--	30,183	3,327	15,770
Securities	8.e.	66,157	62,207	--	--	3,950	--	--	--	--	66,157	5,722	--
Available-for-sale financial assets	8.f.	234,012	--	--	--	--	234,012	--	--	--	234,012	2,936	2,054
Cash and cash equivalents	8.g.	333,263	--	--	333,263	--	--	--	--	--	333,263	862	--
NON-CURRENT LIABILITIES													
Bonds	10.a.	(283,742)	--	--	--	--	--	--	--	(283,742)	(326,020)	(20,105)	--
Other borrowings	10.b.	(311,815)	--	--	--	--	--	(7,550)	--	(304,265)	(300,320)	(15,479)	(9,555)
Trade payables		(2,469)	--	--	--	--	--	--	--	(2,469)	(2,469)	--	--
CURRENT LIABILITIES													
Bank overdrafts		(12,771)	--	--	--	--	--	--	--	(12,771)	(12,771)	(894)	--
Bonds	11.a.	(20,980)	--	--	--	--	--	--	--	(20,980)	(21,473)	--	--
Other borrowings	11.b.	(201,179)	--	--	--	--	--	(1,975)	--	(199,204)	(201,737)	(1,827)	(114)
Trade payables	11.c.	(433,354)	--	--	--	--	--	--	--	(433,354)	(433,354)	556	--

(*) Not including € 17,638 thousand of tax receivables.

(**) Not including € 46,844 thousand of tax receivables.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE FINANCIAL STATEMENTS
2015

<i>(in thousands of euro)</i>	<i>F.S. items</i>	<i>Carrying amount</i>	<i>FVTPL assets designated as such on initial recognition</i>	<i>FVTPL assets classified as held for trading</i>	<i>Loans and receivables</i>	<i>Investments held to maturity</i>	<i>Available-for-sale financial assets</i>	<i>FVTPL liabilities designated as such on initial recognition</i>	<i>FVTPL liabilities classified as held for trading</i>	<i>Liabilities at amortised cost</i>	<i>Fair value</i>	<i>Effect on the income statement</i>	<i>Effect on equity</i>
NON-CURRENT ASSETS													
Other investments	7.e.	5,830	--	--	--	--	5,830	--	--	--	5,830	204	--
Other receivables (*)	7.f.	77,000	--	--	77,000	--	--	--	--	--	77,000	4,738	205
Securities	7.g.	87,383	--	--	--	--	87,383	--	--	--	87,383	56,530	6,343
CURRENT ASSETS													
Trade receivables	8.b.	415,937	--	--	415,937	--	--	--	--	--	415,937	(2,530)	--
Other receivables (**)	8.c.	45,595	--	--	45,595	--	--	--	--	--	45,595	(120)	--
Financial receivables	8.d.	30,496	14,263	--	16,233	--	--	--	--	--	30,496	13,002	13,156
Securities	8.e.	131,012	127,063	--	--	3,949	--	--	--	--	131,012	923	--
Available-for-sale financial assets	8.f.	251,510	--	--	--	--	251,510	--	--	--	251,510	18,061	(10,609)
Cash and cash equivalents	8.g.	312,643	--	--	312,643	--	--	--	--	--	312,643	1,901	--
NON-CURRENT LIABILITIES													
Bonds	10.a.	(288,366)	--	--	--	--	--	--	--	(288,366)	(308,226)	(19,511)	--
Other borrowings	10.b.	(421,910)	--	--	--	--	--	(11,562)	--	(410,348)	(423,362)	(15,886)	(11,767)
Trade payables		(42)	--	--	--	--	--	--	--	(42)	(42)	--	--
CURRENT LIABILITIES													
Bank overdrafts		(19,517)	--	--	--	--	--	--	--	(19,517)	(19,517)	(1,430)	--
Bonds	11.a.	(5,011)	--	--	--	--	--	--	--	(5,011)	(5,011)	--	--
Other borrowings	11.b.	(150,316)	--	--	--	--	--	(2,464)	--	(147,852)	(150,157)	(1,272)	(319)
Trade payables	11.c.	(428,173)	--	--	--	--	--	--	--	(428,173)	(428,173)	(15)	--

(*) Not including € 10,075 thousand of tax receivables.

(**) Not including € 51,970 thousand of tax receivables.

RISK CATEGORIES - 2016

<i>(in thousands of euro)</i>	<i>F.S. items</i>	<i>Carrying amount</i>	<i>Liquidity risk</i>	<i>Interest rate risk</i>	<i>Exchange rate risk</i>	<i>Credit risk</i>
NON-CURRENT ASSETS						
Other investments	7.e.	5,323	--	--	--	5,323
Other receivables (*)	7.f.	61,461	--	--	--	61,461
Securities	7.g.	85,009	--	--	--	85,009
CURRENT ASSETS						
Trade receivables	8.b.	414,246	--	--	--	414,246
Other receivables (**)	8.c.	46,019	--	--	--	46,019
Financial receivables	8.d.	30,183	--	--	--	30,183
Securities	8.e.	66,157	--	--	--	66,157
Available-for-sale financial assets	8.f.	234,012	--	--	--	234,012
Cash and cash equivalents	8.g.	333,263	--	333,263	--	--
NON-CURRENT LIABILITIES						
Bonds	10.a.	(283,742)	(283,742)	--	--	--
Other borrowings	10.b.	(311,815)	(311,815)	--	--	--
Trade payables		(2,469)	(2,469)	--	--	--
CURRENT LIABILITIES						
Bank overdrafts		(12,771)	(12,771)	--	--	--
Bonds	11.a.	(20,980)	(20,980)	--	--	--
Other borrowings	11.b.	(201,179)	(201,179)	--	--	--
Trade payables	11.c.	(433,354)	(433,354)	--	--	--

(*) Not including € 17,638 thousand of tax receivables

(**) Not including € 46,844 thousand of tax receivables

RISK CATEGORIES - 2015

<i>(in thousands of euro)</i>	<i>F.S. items</i>	<i>Carrying amount</i>	<i>Liquidity risk</i>	<i>Interest rate risk</i>	<i>Exchange rate risk</i>	<i>Credit risk</i>
NON-CURRENT ASSETS						
Other investments	7.e.	5,830	--	--	--	5,830
Other receivables (*)	7.f.	77,000	--	--	--	77,000
Securities	7.g.	87,383	--	--	--	87,383
CURRENT ASSETS						
Trade receivables	8.b.	415,937	--	--	--	415,937
Other receivables (**)	8.c.	45,595	--	--	--	45,595
Financial receivables	8.d.	30,496	--	--	--	30,496
Securities	8.e.	131,012	--	--	--	131,012
Available-for-sale financial assets	8.f.	251,510	--	--	--	251,510
Cash and cash equivalents	8.g.	312,643	--	312,643	--	--
NON-CURRENT LIABILITIES						
Bonds	10.a.	(288,366)	(288,366)	--	--	--
Other borrowings	10.b.	(421,910)	(421,910)	--	--	--
Trade payables		(42)	(42)	--	--	--
CURRENT LIABILITIES						
Bank overdrafts		(19,517)	(19,517)	--	--	--
Bonds	11.a.	(5,011)	(5,011)	--	--	--
Other borrowings	11.b.	(150,316)	(150,316)	--	--	--
Trade payables	11.c.	(428,173)	(428,173)	--	--	--

(*) Not including € 10,075 thousand of tax receivables

(**) Not including € 51,970 thousand of tax receivables

CREDIT RISK

(in thousands of euro)

Position at 31 December 2016	F.S. items	Total receivables	Not yet due	Past due by >
Other receivables (non-current assets) (*)	7.f.	61,461	22,551	38,910
Gross receivable		101,844	24,885	76,959
Provision for write-downs		(40,383)	(2,334)	(38,049)
Trade receivables	8.b.	414,246	292,453	121,793
Gross receivable		453,807	300,016	153,791
Provision for write-downs		(39,561)	(7,563)	(31,998)
Other receivables (current assets) (**)	8.c.	46,019	46,019	--
Gross receivable		50,094	46,533	3,561
Provision for write-downs		(4,075)	(514)	(3,561)
Total		521,726	361,023	160,703

(*) Not including € 17,638 thousand of tax receivables

(**) Not including € 46,844 thousand of tax receivables

(in thousands of euro)

Position at 31 December 2015	F.S. items	Total receivables	Not yet due	Past due by >
Other receivables (non-current assets) (*)	7.f.	77,000	34,978	42,022
Gross receivable		116,646	37,312	79,334
Provision for write-downs		(39,646)	(2,334)	(37,312)
Trade receivables	8.b.	415,937	292,853	123,084
Gross receivable		453,352	300,545	152,807
Provision for write-downs		(37,415)	(7,692)	(29,723)
Other receivables (current assets) (**)	8.c.	45,595	45,595	--
Gross receivable		50,397	47,129	3,268
Provision for write-downs		(4,802)	(1,534)	(3,268)
Total		538,532	373,426	165,106

(*) Not including € 10,075 thousand of tax receivables

(**) Not including € 51,970 thousand of tax receivables

0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Renegotiated	Write-downs
--	--	--	38,910	--	
--	--	--	76,959	--	
--	--	--	(38,049)	--	(737)
42,334	11,943	6,809	60,707	--	
43,710	12,196	6,969	90,916	--	
(1,376)	(253)	(160)	(30,209)	--	(6,567)
--	--	--	--	--	
293	--	--	3,268	--	
(293)	--	--	(3,268)	--	(257)
42,334	11,943	6,809	99,617	--	(7,561)

0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Renegotiated	Write-downs
--	--	--	42,022	--	
--	--	--	79,334	--	
--	--	--	(37,312)	--	(1,931)
43,996	17,396	8,613	53,079	--	
45,185	17,732	8,990	80,900	--	
(1,189)	(336)	(377)	(27,821)	--	(6,679)
--	--	--	--	--	
--	--	--	3,268	--	
--	--	--	(3,268)	--	(1,176)
43,996	17,396	8,613	95,101	--	(9,786)

PROVISION FOR WRITE-DOWN OF RECEIVABLES

(in thousands of euro)

Position at 31 December 2016	<i>Opening balance</i>	<i>Write-downs</i>	<i>Uses</i>	<i>Exchange difference +/-</i>	<i>Business combinations +/-</i>	<i>Other changes</i>	<i>Closing balance</i>
Provision for write-down of receivables	(81,863)	(7,561)	7,503	(67)	(2,031)	--	(84,019)

(in thousands of euro)

Position at 31 December 2015	<i>Opening balance</i>	<i>Write-downs</i>	<i>Uses</i>	<i>Exchange difference +/-</i>	<i>Business combinations +/-</i>	<i>Discontinued operations</i>	<i>Closing balance</i>
Provision for write-down of receivables	(404,898)	(9,786)	333,723	177	(1,079)	--	(81,863)

LIQUIDITY RISK - 2016

(in thousands of euro)	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>5 years	Total
Non derivative financial liabilities							
Bonds	28,338	26,530	123,381	46,259	100,657	32,601	357,766
Other borrowings:							
- Due to banks for loans	165,656	102,635	64,775	24,089	10,898	11,825	379,878
- Due to leasing companies	14,679	14,891	14,382	12,872	12,868	50,158	119,850
- Due to other providers of finance	29,101	430	420	276	228	633	31,088
Bank overdrafts	13,683	--	--	--	--	--	13,683
Trade payables	433,354	--	--	--	--	--	433,354
Derivative financial liabilities							
Hedging derivatives	6,034	8,503	(953)	(936)	(664)	(395)	11,589
Non-hedging derivatives	482	--	--	--	--	--	482
TOTAL	691,327	152,989	202,005	82,560	123,987	94,822	1,347,690

LIQUIDITY RISK - 2015

(in thousands of euro)	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>5 years	Total
Non derivative financial liabilities							
Bonds	11,570	26,184	25,372	122,346	46,112	127,000	358,584
Other borrowings:							
- Due to banks for loans	110,280	137,234	104,500	51,344	20,292	19,662	443,312
- Due to leasing companies	13,981	13,436	12,756	12,009	10,463	54,212	116,857
- Due to other providers of finance	38,482	1,005	420	420	276	861	41,464
Bank overdrafts	20,932	--	--	--	--	--	20,932
Trade payables	428,173	--	--	--	--	--	428,173
Derivative financial liabilities							
Hedging derivatives	6,246	3,700	966	10,579	(835)	(933)	19,723
Non-hedging derivatives	691	--	--	--	--	--	691
TOTAL	630,355	181,559	144,014	196,698	76,308	200,802	1,429,736

20. Guarantees and commitments

At 31 December 2016 the position of guarantees and commitments was the following:

COFIDE

CIR shares for a total carrying amount of € 335,278 thousand have been pledged to the bank as collateral for the loan.

▪ CIR AND FINANCIAL HOLDING COMPANIES

Commitments for private equity fund investments by CIR International for € 4 million.

▪ Espresso Group

At 31 December 2016 the group had outstanding commitments of € 20,507 thousand in relation to:

- contracts for the purchase of plants and other printing equipment for € 326 thousand;
- guarantees given by the Parent Company to the companies involved in the Group VAT return for € 13,296 thousand;
- other guarantees for € 6,885 thousand, which mainly relate to guarantees given by the Parent Company and the subsidiaries Elemedia and Finegil Editoriale, Nord-Est division and A. Manzoni & C..

▪ 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 31 December 2016 refer to the following subsidiaries:

- Sogefi Filtration do Brasil Ltda. for the lease of the Jarinu, production site, the contract of which will expire in August 2034. At 31 December 2016 the residual instalments amount to € 30,820 thousand, of which € 1,651 thousand due within one year. Against this contract, the company has gave a bank guarantee for € 1,978 thousand;
- Sogefi (Suzhou) Auto Parts Co. Ltd for the lease of the production site located in Wujiang, for which the contract terminates in September 2033. At 31 December 2016 the residual instalments amount to € 14,871 thousand, of which € 746 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. At 31 December 2016 the remaining instalments amount to € 3,326 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 31 December 2016 amount to € 1,441 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 31 December 2016 the residual instalments amount to € 4,695 thousand, of which € 1,099 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 31 December 2016 the residual instalments amount to € 21,303 thousand, of which € 1,468 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 31 December 2016 amount to € 912 thousand, of which € 379 thousand due within one year. Against this contract, Sogefi S.p.A. has issued a guarantee for approximately 76% 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.

Future lease payments under the Sogefi Group's operating lease contracts at 31 December 2016 are as follow:

<i>(in thousands of euro)</i>	2016	2015
Within 1 year	11,307	10,420
1-5 years	37,222	37,831
Over 5 years	43,918	42,750
Total	92,447	91,001

Investment commitments

At 31 December 2016 there are binding commitments for investments relating to the purchase of tangible assets of € 2,373 thousand.

Guarantees given

Details of these guarantees are as follows:

<i>(in thousands of euro)</i>	31.12.2016	31.12.2015
Sureties given to third parties	7,373	5,366
Other unsecured guarantees given to third parties	2,463	2,463
Secured guarantees given for borrowings shown in the financial statements	7,433	8,422

The sureties given in favour of third parties relate to guarantees given to certain customers by Sogefi Italy S.p.A., to the supplier of a operating lease contract by Sogefi Filtration do Brasil Ltda and to the Tax Authorities for VAT and other indirect taxes by Sogefi S.p.A. and by Sogefi Filtration Ltd; 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., Sogefi Filtration do Brasil Ltda and Sogefi M.N.R. Engine Systems Pvt India Ltd which, for the loans obtained, have granted to the lenders secured guarantees over their tangible assets and trade receivables.

Other risks

At 31 December 2016 the Sogefi Group held assets belonging to third parties on its premises for € 12,719 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 € 4,327 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;
- 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 Residenze Anni Azzurri for the lease of the building in San Faustino for € 82 thousand;
- a guarantee on behalf of Residenze Anni Azzurri for the lease of the building in San Faustino 27 for € 2,241 thousand.

Bank guarantees given by other Group companies for € 10,893 thousand, with the following breakdown:

- a guarantee given by Residenze Anni Azzurri S.r.l. to guarantee care home lease payments, for € 10,010 thousand;
- a guarantee given by companies of the Istituto di Riabilitazione S. Stefano Group for € 883 thousand.

At 31 December 2016, other commitments and risks amounted to € 5,848 thousand, mainly related to:

- assets on free loan for € 2,030 thousand;
- guarantees issued by Suzzara Hospital in favour of F.Ili 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;
- third-party commitments to sell for € 345 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 45 care homes for the elderly in operation at the reporting date, 8 are owned, as well as 13 of the 31 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.

The following chart shows the residual lease payments. The amounts are shown net of VAT.

<i>(in thousands of euro)</i>	<i>Reporting period</i>	<i><1 year</i>	<i>>1 <2 years</i>	<i>>2 <3 years</i>	<i>>3 <4 years</i>	<i>>4 <5 years</i>	<i>>5 years</i>
Residual property lease payments	31/12/2015	24,389	24,458	24,861	24,834	24,805	228,594
Residual property lease payments	31/12/2016	25,946	26,353	26,239	26,169	25,897	241,610

21. Information on the business sector

The business sectors coincide with the groups of companies that COFIDE S.p.A. controls through CIR. 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 (primary sector) is provided on the next two pages, whereas details of revenues by geographical area (secondary sector) can be found in Note 12 "Revenues".

An analysis of assets, investments, depreciation/amortisation and write-downs by geographical area is shown in the following chart.

<i>(in thousands of euro)</i>	<i>Assets</i>	<i>Investments</i>	<i>Depr/amort. & write-downs</i>
Italy	4,823,746	51,880	57,704
Other European countries	786,956	47,976	41,621
North America	138,028	19,840	10,019
South America	102,122	6,161	10,397
Asia	166,675	9,520	10,895
Consolidation adjustments	(2,594,573)	(737)	(1,359)
Total assets	3,422,954	134,640	129,277

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

(in millions of euro)

	AGGREGATE	2016												2015
		Revenues	Costs of production	Other operating income and expense	Adjustments to the value of investments consolidated at equity	Amortisation/depreciation and write-downs	EBIT	Net financial income and 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														
		(1)	(2)				(3)	(4)						
Espresso Group		585.5	(535.9)	(5.9)	1.0	(21.3)	23.4	(9.2)	2.4	(8.1)	2.0	(7.3)	3.2	5.1
Sogefi Group		1,574.1	(1,387.2)	(34.2)	--	(78.2)	74.5	(31.5)	3.6	(32.6)	--	(11.1)	2.9	0.4
KOS Group		461.1	(367.0)	(16.2)	(0.2)	(29.1)	48.6	(10.4)	--	(13.6)	--	(17.0)	7.6	5.3
Total for main subsidiaries		2,620.7	(2,290.1)	(56.3)	0.8	(128.6)	146.5	(51.1)	6.0	(54.3)	2.0	(35.4)	13.7	10.8
Other subsidiaries		--	(4.0)	3.5	--	--	(0.5)	--	--	(0.1)	--	0.3	(0.3)	(0.7)
Total subsidiaries		2,620.7	(2,294.1)	(52.8)	0.8	(128.6)	146.0	(51.1)	6.0	(54.4)	2.0	(35.1)	13.4	10.1
CIR and other holding companies before non-recurring items		--	(16.3)	1.3	--	(0.6)	(15.6)	3.9	19.4	1.5	--	(4.2)	5.0	6.4
Non-recurring items		--	--	--	--	--	--	--	--	--	--	-	--	5.8
Cofide														
Revenues		--											--	--
Net operating costs			(1.3)										(1.3)	(1.6)
Other operating income & expense				(0.3)									(0.3)	(0.1)
Adjustments to the value of investments consolidated at equity					--								--	--
Amortisation/depreciation and write-downs						(0.1)							(0.1)	--
EBIT							(1.7)							
Net financial income & expense								(1.1)					(1.1)	(1.6)
Dividends and net gains from securities trading									5.9				5.9	(0.3)
Income taxes										(0.3)			(0.3)	--
Consolidated total for the Group		2,620.7	(2,311.7)	(51.8)	0.8	(129.3)	128.7	(48.3)	31.3	(53.2)	2.0	(39.3)	21.2	18.7

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 € (2.3) 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 € (2.3) 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 value of financial assets" in the consolidated income statement.

CONSOLIDATED FINANCIAL POSITION BY BUSINESS SECTOR

(in millions of euro)

	31.12.2016						31.12.2015	
	Fixed assets	Other net non-current assets and liabilities	Net working capital	Net financial position	Total equity	Minority interests	Equity of the Group	Equity of the Group
CONSOLIDATED								
AGGREGATE	(1)	(2)	(3)	(4)				
Espresso Group	686.5	(165.8)	46.0	31.7	598.4	413.7	184.7	176.2
Sogefi Group	544.2	(58.3)	2.2	(299.0)	189.1	135.2	53.9	52.2
KOS Group	563.2	(24.4)	(48.9)	(213.6)	276.3	188.3	88.0	72.2
Other subsidiaries	--	2.6	(4.8)	3.0	0.8	0.4	0.4	0.9
Total subsidiaries	1,793.9	(245.9)	(5.5)	(477.9)	1,064.6	737.6	327.0	301.5
CIR and other holding companies	19.5	112.5	(12.4)	334.3	453.9	205.9	248.0	283.5
Cofide								
Fixed assets	1.2				1.2		1.2	1.2
Other net non-current assets and liabilities		12.9			12.9		12.9	21.3
Net working capital			(2.4)		(2.4)		(2.4)	(2.0)
Net financial position				(23.3)	(23.3)		(23.3)	(37.7)
Consolidated total for the Group	1,814.6	(120.5)	(20.3)	(166.9)	1,506.9	943.5	563.4	567.8

- 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, and of "bonds" and "borrowings" under non-current liabilities, and of "bank overdrafts", "bonds" and "other borrowings" under current liabilities in the consolidated statement of financial position.

22. Joint ventures

The Group does not hold equity investments in joint ventures at 31 December 2016.

23. Net financial position

The net financial position in accordance with Consob Resolution no. 6064293 dated 28 July 2006 is as follows:

<i>(in thousands of euro)</i>		31.12.2016	31.12.2015
A. Cash and bank deposits		333,263	312,643
B. Other cash equivalents		234,012	251,510
C. Securities held for trading		66,157	131,012
D. Cash and cash equivalents (A)+(B)+(C)		633,432	695,165
E. Current financial receivables		30,183	30,496
F. Current bank payables	(*)	(168,647)	(116,507)
G. Bonds		(20,980)	(5,011)
H. Current portion of non-current debt		(45,303)	(53,326)
I. Other current borrowings		--	--
J. Current financial debt (F)+(G)+(H)+(I)		(234,930)	(174,844)
K. Current net financial position (J)+(E)+(D)		428,685	550,817
L. Non-current bank borrowings	(**)	(207,911)	(317,643)
M. Bonds issued		(283,742)	(288,366)
N. Other non-current payables	(**)	(103,904)	(104,267)
O. Non-current financial debt (L)+(M)+(N)		(595,557)	(710,276)
P. Net financial position (K)+(O)		(166,872)	(159,459)

(*) 155,876 thousand (€ 168,647- € 12,771) is classified in the Statement of Financial Position under "Other borrowings".

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

24. Disclosures regarding share-based incentive plans

The following chart shows the stock option plans of CIR S.p.A.

CIR - STOCK OPTION PLANS OUTSTANDING AT 31 DECEMBER 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	-	-	-	-	-
Stock Option Plan 2006 - 2nd tranche	2,175,000	2.47	-	-	-	-	-	-	2,175,000	2.47	0.50	2,175,000	2.47
Extraordinary Stock Option Plan 1st tranche	3,050,000	3.0877	-	-	-	-	-	-	3,050,000	3.0877	0.75	3,050,000	3.0877
Extraordinary Stock Option Plan 2nd tranche	3,050,000	2.7344	-	-	-	-	-	-	3,050,000	2.7344	1.25	3,050,000	2.7344
Extraordinary Stock Option Plan 3rd tranche	3,110,000	1.6806	-	-	-	-	-	-	3,110,000	1.6806	1.75	3,110,000	1.6806
Extraordinary Stock Option Plan 4th tranche	2,203,500	1.0718	-	-	-	-	-	-	2,203,500	1.0718	2.25	2,203,500	1.0718
1st tranche 2009	1,947,800	0.9907	-	-	-	-	-	-	1,947,800	0.9907	2.75	1,947,800	0.9907
2nd tranche 2009	3,136,000	1.5449	-	-	-	-	-	-	3,136,000	1.5449	3.16	3,136,000	1.5449
1st tranche 2010	3,206,000	1.6208	-	-	-	-	-	-	3,206,000	1.6208	3.75	3,206,000	1.6208
2nd tranche 2010	3,128,000	1.4982	-	-	-	-	-	-	3,128,000	1.4982	4.16	3,128,000	1.4982
Total	29,306,300	1.9826	-	-	-	-	4,300,000	2.50	25,006,300	1.8945	2.31	25,006,300	1.8945

CIR - STOCK GRANT PLANS AT 31 DECEMBER 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	4.33	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	5.32	845,875	1.0263
Stock Grant Plan 2013	3,022,453	0.8003	-	-	-	-	-	-	3,022,453	0.8003	6.33	-	-
Stock Grant Plan 2014	1,761,574	1.1300	-	-	-	-	-	-	1,761,574	1.1300	7.50	-	-
Stock Grant Plan 2015	1,680,000	1.0916	-	-	-	-	-	-	1,680,000	1.0916	8.33	-	-
Stock Grant Plans 2015 reserved to the General Manager	1,000,000	1.0940	-	-	-	-	-	-	1,000,000	1.0940	8.33	-	-
Stock Grant Plan 2016	-	-	1,750,000	1.0587	-	-	-	-	1,750,000	1.0587	9.33	-	-
Total	11,003,797	1.0062	1,789,661	1.0586	144,848	1.0734	2,426,837	1.0263	10,221,773	1.0099	7.45	1,007,746	1.1247

CIR S.p.A. - Stock Grant Plans

The Stock Grant Plans involve the assignment free of charge of Units, not transferable to third parties or other beneficiaries, each of which offering the right of assignment of one CIR S.p.A. share. The Plans envisage two classes of rights: time-based units, which vest subject to the passing of a certain period of time, and performance units, which vest subject to the passing of a certain period of time and the achievement of certain objectives in terms of the "normal market value" of the stock (determined according to Art. 9, paragraph 4.a of the Consolidated Income Tax Act) as established in the Plan Regulations.

The regulations envisage a minimum holding of the shares covered by the Plan.

Shares assigned in implementation of the Plans will be made available exclusively from treasury shares held by CIR S.p.A. The regulations state that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the vesting period of the rights and at the date that they are exercised.

With reference to plans issued in the last three years, note that:

- On 30 June 2014 the Shareholders' Meeting approved the 2014 Stock Grant Plan reserved for the Chief Executive Officer and executives of the Company, the parent company and subsidiaries, for a maximum of 3,500,000 Units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing quarterly from 30 April 2016 to 31 January 2018. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 2,036,574 performance units were assigned during the year, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units amounts is € 1.13.
- On 27 April 2015 the Shareholders' Meeting approved the 2015 Stock Grant Plan reserved for the Chief Executive Officer and executives of the Company, the parent company and subsidiaries, for a maximum of 2,800,000 Units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing quarterly from 30 April 2017 to 31 January 2019. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 940,000 time units were assigned during the year, whose maturity is subject to continued service, and 940,000 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units amounts is € 1.0892.
- On 27 April 2015 the Shareholders' Meeting approved the 2015 Stock Grant Plan reserved for the General Manager of CIR S.p.A., for a maximum of 1,100,000 Units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 25% of the related total, each of which maturing quarterly from 30 June 2017 to 31 March 2018. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 1,000,000 time units were assigned during the year, whose maturity is subject to continued service.
- On 29 April 2016 the Shareholders' Meeting approved the 2016 Stock Grant Plan reserved for the Chief Executive Officer and executives of the Company, the parent company and subsidiaries, for

a maximum of 2,400,000 Units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing quarterly from 30 April 2018 to 31 January 2020. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 875,000 time units were assigned during the year, whose maturity is subject to continued service, and 875,000 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units amounts is € 1.0273.

The notional cost of the Plans for the period was € 2,084 thousand, recognised under "Personnel costs" in the income statement.

ESPRESSO

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

GRUPPO EDITORIALE L'ESPRESSO - STOCK OPTION PLANS FOR EMPLOYEES AT 31 DECEMBER 2016

	Options in circulation at start of period		Options granted during the period		Options cancelled 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	--	--	850,000	4.33	--	--	--	--	--	--	--
Stock option plan 2006 - 2nd tranche	850,000	3.96	--	--	225,000	3.96	--	--	625,000	3.96	0.50	625,000	3.96
Extraordinary stock option plan 2009 - 1st tranche	1,267,500	3.84	--	--	325,000	3.84	--	--	942,500	3.84	0.75	942,500	3.84
Extraordinary stock option plan 2009 - 2nd tranche	1,267,500	3.60	--	--	325,000	3.60	--	--	942,500	3.60	1.25	942,500	3.60
Extraordinary stock option plan 2009 - 3rd tranche	1,515,000	2.22	--	--	437,500	2.22	--	--	1,077,500	2.22	1.75	1,077,500	2.22
Extraordinary stock option plan 2009 - 4th tranche	820,950	1.37	--	--	217,750	1.37	--	--	603,200	1.37	2.25	603,200	1.37
Ordinary stock option plan 2009 - 1st tranche	485,150	1.00	--	--	146,300	1.00	--	--	338,850	1.00	2.75	338,850	1.00
Ordinary stock option plan 2009 - 2nd tranche	2,152,200	1.86	--	--	521,200	1.86	--	--	1,631,000	1.86	3.25	1,631,000	1.86
Ordinary stock option plan 2010 - 1st tranche	2,417,500	2.25	--	--	640,000	2.25	--	--	1,777,500	2.25	3.75	1,777,500	2.25
Ordinary stock option plan 2010 - 2nd tranche	2,085,400	1.58	--	--	473,500	1.58	--	--	1,611,900	1.58	4.25	1,611,900	1.58
Total	13,711,200	2.49	--	--	4,161,250	2.78	--	--	9,549,950	2.37	2.64	9,549,950	2.37

GRUPPO EDITORIALE L'ESPRESSO - STOCK GRANT PLANS FOR EMPLOYEES AT 31 DECEMBER 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
2011												
Time-based units	156,721	1.81	--	--	--	--	6,248	1.81	150,473	1.81	150,473	1.81

2012												
Time-based units	452,335	0.98	--	--	--	--	103,429	0.98	348,906	0.98	348,906	0.98
Performance-based units	494,367	0.98	--	--	325,750	0.98	26,565	0.98	142,052	0.98	142,052	0.98

2013												
Time-based units	625,620	0.83	--	--	97,492	0.83	164,069	0.83	364,059	0.83	306,608	0.83
Performance-based units	625,620	0.83	--	--	97,492	0.83	141,568	0.83	386,560	0.83	205,969	0.83

2014												
Time-based units	725,000	1.70	--	--	173,748	1.70	71,877	1.70	479,375	1.70	160,640	1.70
Performance-based units	725,000	1.70	--	--	173,748	1.70	--	--	551,252	1.70	--	--

2015												
Time-based units	710,000	1.24	--	--	165,000	1.24	--	--	545,000	1.24	--	--
Performance-based units	710,000	1.24	--	--	165,000	1.24	--	--	545,000	1.24	--	--

2016												
Time-based units	--	--	657,500	0.95	102,500	0.95	--	--	555,000	0.95	--	--
Performance-based units	--	--	657,500	0.95	102,500	0.95	--	--	555,000	0.95	--	--

SOGEFI S.p.A. - Stock Grant Plans

Sogefi S.p.A. implements incentive plans based on Sogefi S.p.A. shares reserved for the Chief Executive Officer of the Company and for executives of the Company and its subsidiaries who hold strategic positions in the Group, with the aim of rewarding their loyalty to the Group and giving them an incentive to increase their commitment to improving company performance and creating long-term value.

The incentive plans based on Sogefi S.p.A. shares are approved in advance by the Shareholders' Meeting.

According to IFRS 2, only plans assigned after 7 November 2002 should be taken into consideration (note that the Company does not have any plans outstanding from before that date), so in addition to the plan issued in 2016, the ones issued from 2006 to 2015, the main characteristics of which are shown below.

The Stock Grant Plans involve the assignment free of charge of Units, not transferable to third parties or other beneficiaries, each of which offering the right of assignment free of charge of one Sogefi S.p.A. share. The Plan envisages two classes of rights: time-based units, which vest subject to the passing of a fixed period of time, and performance units, which vest subject to the passing of a term and the achievement of certain objectives established in the Plan Regulations.

The Regulations envisage a minimum holding of the shares covered by the Plan.

Shares assigned in implementation of the Plans will be made available exclusively from treasury shares held by Sogefi S.p.A. The Regulations say that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the vesting period of the rights.

On 27 April 2016, the Board of Directors implemented the 2016 stock grant plan (approved by Shareholders' Meeting of the same date for a maximum of 750,000 units) reserved for employees of the Company and its subsidiaries by granting them a total of 500,095 units (of which 217,036 time-based units and 283,059 performance units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 27 July 2018 to 27 April 2020.

The performance units will mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

The fair value of the rights granted in 2016 was calculated at the grant date with the binomial model for the valuation of American options (the so-called "Cox, Ross and Rubinstein model") and comes to a total of € 665 thousand.

In particular, the input data used for the measurement of the fair value of the 2016 Stock Grant plan are summarised below:

- curve of EUR/GBP/SEK/CHF risk-free interest rates on 27 April 2016;
- prices of the underlying asset (i.e. the price of the Sogefi S.p.A. share on 27 April 2016, namely € 1.5) and of the securities in the benchmark basket, again posted on 27 April 2016;
- normal market prices of the Sogefi S.p.A. share and of the securities in the benchmark basket from 29 March 2016 to 26 April 2016, to calculate the threshold for the performance units of the stock grant;
- historical volatility at 260 days of the securities and exchange rates observed at 27 April 2016;

- zero dividend yield for the valuation of the stock grant;
- time series of logarithmic yields on the securities concerned and the EURGBP, EURSEK and EURCHF exchange rates to calculate the correlations between securities and the correlations between the 3 securities not denominated in Euro and the related exchange rates (for the adjustment of estimated trends), calculated for the period between 27 April 2015 to 23 April 2016.

The main characteristics of the stock grant plans approved in previous years and still outstanding are reported below:

Stock Grant Plan 2011 for a maximum of 1,250,000 conditional rights reserved for the director serving as the Chief Executive Officer of Sogefi S.p.A. at the plan grant date and for executives of Sogefi S.p.A. and its subsidiaries via allocation to them of a total of 757,500 Units (of which: 320,400 Time-based Units and 437,100 Performance Units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 20 April 2013 to 20 January 2015.

The performance units will mature on the same maturity dates envisaged for the time-based units, but only on condition that the "normal market value" of the shares at each vesting date is at least equal to the percentage of the initial value laid down in the Regulations.

Stock Grant Plan 2012 for a maximum of 1,600,000 conditional rights reserved for the director serving as the Chief Executive Officer of Sogefi S.p.A. at the plan grant date and for executives of Sogefi S.p.A. and its subsidiaries via allocation to them of a total of 1,152,436 Units (of which: 480,011 Time-based Units and 672,425 Performance Units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 20 April 2014 to 31 January 2016.

The performance units will mature on the same maturity dates envisaged for the Time-based Units, but only on condition that the increase in the fair value of the shares at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

2013 Stock Grant Plan for a maximum of 1,700,000 conditional rights, reserved for the employees of the Company and its subsidiaries, by assigning them a total of 1,041,358 units (of which 432,434 time-based units and 608,924 performance units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 20 April 2015 to 31 January 2017.

The performance units will mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

2014 Stock Grant Plan for a maximum of 750,000 conditional rights, reserved for the employees of the Company and its subsidiaries, by assigning them a total of 378,567 units (of which 159,371 time-based units and 219,196 performance units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 20 April 2016 to 20 January 2018.

The performance units will mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

2015 Stock Grant Plan for a maximum of 1,500,000 conditional rights, reserved for the employees of the Company and its subsidiaries, by assigning them a total of 441,004 units (of which 190,335 time-based units and 250,669 performance units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 20 October 2017 to 20 July 2019.

The performance units will mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

The notional cost of the plans for 2016 is € 248 thousand.

The following table shows the total number of existing rights with respect to the plans for the period 2011-2016:

	2016	2015
Not exercised/not exercisable at the start of the year	1,877,871	2,024,255
Granted in the year	500,095	441,004
Cancelled in the year	(717,307)	(409,398)
Exercised during the year	(373,693)	(177,989)
Not exercised/not exercisable at the end of the year	1,286,966	1,877,871
Exercisable at the end of the year	149,724	391,558

SOGEFI S.p.A. - Stock Option Plans

The stock option plans offer beneficiaries the right to exercise an option to subscribe to a new issue of Sogefi shares at a given price and within a predefined period of time. The Regulations also say that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the vesting period of the rights.

The main characteristics of the stock option plans approved in previous years and still outstanding are as follows:

- Stock Option Plan 2007 reserved for employees of the foreign subsidiaries of Sogefi S.p.A. for a maximum of 715,000 shares (0.6% of share capital at 31 December 2016) with a strike price of € 6.96, exercisable from 30 September 2007 to 30 September 2017. On 22 April 2008, on the strength of powers assigned by the Shareholders' Meeting, the Board of Directors amended the strike price from € 6.96 to € 5.78 to take into account the extraordinary part of the dividend distributed by the Shareholders' Meeting held on that same date;
- Stock Option Plan 2008 reserved for employees of the foreign subsidiaries of Sogefi S.p.A. for a maximum of 875,000 shares (0.73% of share capital at 31 December 2016) with a strike price of € 2.1045, exercisable from 30 September 2008 to 30 September 2018;
- Stock Option Plan 2009 reserved for employees of Sogefi S.p.A. and its subsidiaries for a maximum of 2,335,000 shares (1.96% of share capital at 31 December 2016) with a strike price of € 1.0371, exercisable from 30 September 2009 to 30 September 2019;
- Extraordinary Stock Option Plan 2009 reserved for individuals who were already beneficiaries of Phantom Stock Option Plans 2007 and 2008, who are still employees of Sogefi S.p.A. or of its subsidiaries, provided they renounce the rights resulting from the above-mentioned phantom stock option plans, for a maximum of 1,015,000 shares (equal to 0.85% of the share capital at 31 December 2016), of which 475,000 (Tranche I options) with a strike price of € 5.9054, exercisable from 30 June 2009 to 30 September 2017 and 540,000 (Tranche II options) with a strike price of € 2.1045, exercisable from 30 June 2009 to 30 September 2018;
- Stock Option Plan 2010 reserved for the director serving as the Chief Executive Officer of Sogefi S.p.A. at the plan grant date and for employees of Sogefi S.p.A. and its subsidiaries for up to

2,440,000 shares (2.04% of the share capital at 31 December 2016) with a strike price of € 2.3012, exercisable between 30 September 2010 and 30 September 2020.

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

	2016		2015	
	No. of options	Average strike price	No. of options	Average strike price
Not exercised/not exercisable at the start of the year	4,190,737	3.16	4,863,937	3.26
Assigned during the year	--	--	--	--
Cancelled during the year	(306,800)	3.26	(230,600)	5.00
Exercised during the year	(738,400)	1.04	(97,000)	1.49
Matured during the year	(890,800)	5.87	(345,600)	3.87
Not exercised/not exercisable at the end of the year	2,254,737	2.77	4,190,737	3.16
Exercisable at the end of the year	2,254,737	2.77	4,190,737	3.16

The line "Not exercised/not exercisable at the end of the year" 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 year" refers to the total amount of the options vested at the end of the year but not yet exercised.

The following chart shows the breakdown of the number of options exercisable at 31 December 2016:

No. of options outstanding and exercisable at 31 December 2015	4,190,737
Options vested during the year	--
Options cancelled during the year	(306,800)
Options exercised during the year	(738,400)
Options matured during the year	(890,800)
No. of options outstanding and exercisable at 31 December 2016	2,254,737

SOGEFI S.p.A. - Phantom stock option plans

Phantom stock option plans, unlike traditional stock option plans, do not involve assignment of a right to subscribe or purchase a share, but involve paying the beneficiaries an extraordinary amount in cash of a variable nature equal to the difference between the value of the Sogefi share in the vesting period of the option and the value of the Sogefi share at the time the option is assigned.

In 2009, as explained in the paragraph "Stock option plans", Sogefi S.p.A. gave the beneficiaries of Phantom Stock Option plans 2007 and 2008 the right to waive the options under these plans and to take part in the Extraordinary Stock Option Plan 2009.

The main characteristics of the plans currently outstanding are as follows:

- Phantom Stock Option Plan 2007 reserved for the director serving as the Chief Executive Officer of Sogefi S.p.A. at the plan grant date, for the executives and staff of Sogefi S.p.A. and for the executives of the Italian subsidiaries, for a maximum of 1,760,000 options with an initial assignment value of € 7.0854, adjusted in 2008 to € 5.9054, exercisable from 30 September 2007 to 30 September 2017. Following the subscription of the extraordinary stock option plan 2009, 475,000 options were waived;

The following chart gives a breakdown of the number of phantom stock options at 31 December 2016:

	2016
Not exercised/not exercisable at the start of the year	840,000
Assigned during the year	--
Cancelled during the year	--
Exercised during the year	--
Not exercised/not exercisable at the end of the year	840,000
Exercisable at the end of the year	840,000

The fair value at 31 December 2016 is zero.

KOS

The following is information on the Stock Option Plans outstanding at the KOS Group:

KOS- STOCK OPTION PLANS AT 31 DECEMBER 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	Weighted average strike price	Average duration (years)	No. of options	Weighted average strike price	Vesting date	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 2010 rev	--	--	1,661,083	3.75	--	--	--	--	1,661,083	3.75	16.39	1,661,083	3.75	31/12/2014	17/05/2033
Stock Option Plan 2016	--	--	1,500,000	7.28	--	--	--	--	1,500,000	7.28	16.39	--	--	17/05/2023	17/05/2033
Total	5,125,000	3.72	3,161,083	5.43	2,828,917	3.70	2,296,083	3.75	3,161,083	5.43	16.39	1,661,083	3.75		

25. 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 as regards Espresso, 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 31 December 2016, this judgement indicates a maximum amount at risk of € 376.6 million (of which additional taxes assessed of € 121.4 million, interest of € 121.4 million and penalties of € 133.8 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. During 2016, the Group provided € 347 thousand for accumulated interest; therefore, the provision at 31 December 2016 amounted to € 35,460 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.

In 2007 it emerged that this equalisation may not have been applied properly.

Sogefi Filtration Ltd has therefore presented a protective claim, towards its consultants, to the Birmingham High Court.

Later in 2015, having also received an opinion from the Queen's Counsel, the company submitted a so-called "court claim" to request an adjustment to the equalisation. During 2016, the company began consultations with the representative of the beneficiaries of the funds to regulate the issue through a compromise between the parties. This compromise could relate to all issues or specific points, referring the matter to the Court's decision on the remaining issues. Consultations are still underway.

Owing to the development which took place in 2016, the company has decided to set aside a provision in the balance sheet of € 2.2 million (previously the liability was only potential). The provision does not take into account the chances of recovery from the consultants.

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 Euro 1.8 million.

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; the company will appear in court to defend itself.

In October 2016, Sogefi S.p.A. received four notices of assessment relating to the tax years 2011 and 2012, following a tax audit in the first half of 2016, containing the following two observations: i) undue deduction of € 0.6 million of VAT paid on goods and services, ii) undue deduction for IRES purposes (and related non-deductible VAT of € 0.2 million) in costs for services rendered by the parent company CIR S.p.A. (the same findings for 2009) for a total taxable amount of € 1.3 million.

In December 2016, the Company appealed against these notices before the Provincial Tax Commission and it went to court in January 2017.

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, at present they consider the risk of losing the case to be possible but not probable.
For this reason, the Group has not recorded any related tax provisions in the 2016 financial statements.

26. Other information

FEES FOR AUDIT AND AUDIT-RELATED SERVICES (Consob Resolution no. 11971/99)

As required by Consob Resolution no. 11971/99, the following chart shows the fees charged for services provided by the independent auditors, Deloitte & Touche S.p.A., and by other entities belonging to the same network:

<i>(in thousands of euro)</i>	<i>2016</i>
<i>Charged to the Parent Company:</i>	
a) by the independent auditors for auditing services	64
b) by the independent auditors:	
- for auditing services for certification purposes	2
- for other services	--
c) by network partners of the independent auditors for other services	--
<i>Charged to the subsidiaries:</i>	
a) by the independent auditors for auditing services	1,961
b) by the independent auditors:	
- for auditing services for certification purposes	247
- for other services	3
c) by network partners of the independent auditors for other services	169
<i>of which for tax consulting</i>	--

KEY FIGURES OF THE PARENT COMPANY FRATELLI DE BENEDETTI S.p.A.

Cofide S.p.A. is subject to management and coordination by the parent company, Fratelli De Benedetti S.p.A. (art. 2497-bis of the Italian Civil Code); attachment 2 to the separate financial statements presents key information taken from the financial statements of the parent company at 31 December 2015.

RELATED PARTY TRANSACTIONS

For details of the nature of related party transactions, please refer to Note 8 in the report on operations. The following chart gives a summary of transactions with related parties:

CONSOLIDATED INCOME STATEMENT

<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</i>	<i>Financial income</i>	<i>Financial expense</i>	<i>Dividends</i>
Parent companies	--	--	--	--	--	--	--	--
Subsidiaries	--	--	--	--	--	15	--	--
Associates	--	--	(6,272)	--	1,679	--	--	--
Joint ventures	--	--	--	--	--	--	--	--
Other related parties	--	--	--	--	99	--	--	--
Total	--	--	(6,272)	--	1,778	15	--	--

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(in thousands of euro)</i>	<i>Non-current assets</i>	<i>Current assets</i>		<i>Current liabilities</i>		
	<i>Other receivables</i>	<i>Trade receivables</i>	<i>Other receivables</i>	<i>Other borrowings</i>	<i>Trade payables</i>	<i>Other payables</i>
Parent companies	--	--	--	--	--	--
Subsidiaries	--	--	--	--	9	--
Associates	1,644	1,542	105	--	2,180	--
Joint ventures	--	--	--	--	--	--
Other related parties	--	--	--	--	--	--
Total	1,644	1,542	105	--	2,189	--

Cofide Group

Consolidated financial statements of the directly controlled subsidiary at 31 December 2016

CIR Group

CIR GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	31.12.2016	31.12.2015
NON-CURRENT ASSETS	2,056,164	2,071,525
INTANGIBLE ASSETS	988,003	997,652
TANGIBLE ASSETS	670,775	658,737
INVESTMENT PROPERTY	19,292	20,064
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	129,987	131,833
OTHER EQUITY INVESTMENTS	5,323	5,830
OTHER RECEIVABLES	78,980	86,957
of which with related parties (*)	1,644	2,693
SECURITIES	72,069	65,705
DEFERRED TAXES	91,735	104,747
CURRENT ASSETS	1,335,311	1,400,094
INVENTORIES	137,406	134,055
CONTRACT WORK IN PROGRESS	40,947	39,178
TRADE RECEIVABLES	414,370	415,937
of which with related parties (*)	1,666	2,259
OTHER RECEIVABLES	92,669	97,363
of which with related parties (*)	105	655
FINANCIAL RECEIVABLES	30,183	30,496
SECURITIES	54,892	121,006
AVAILABLE-FOR-SALE FINANCIAL ASSETS	234,012	251,510
CASH AND CASH EQUIVALENTS	330,832	310,549
ASSETS HELD FOR SALE	3,418	9,005
TOTAL ASSETS	3,394,893	3,480,624
LIABILITIES AND EQUITY	31.12.2016	31.12.2015
EQUITY	1,518,476	1,590,294
SHARE CAPITAL ISSUED	397,146	397,146
less TREASURY SHARES	(64,283)	(54,211)
SHARE CAPITAL	332,863	342,935
RESERVES	310,850	340,336
RETAINED EARNINGS (LOSSES)	374,811	377,663
NET INCOME FOR THE PERIOD	33,751	42,014
GROUP EQUITY	1,052,275	1,102,948
MINORITY INTERESTS	466,201	487,346
NON-CURRENT LIABILITIES	938,119	1,010,070
BONDS	283,742	288,366
OTHER BORROWINGS	274,819	372,076
OTHER PAYABLES	15,140	9,286
DEFERRED TAXES	149,683	134,881
PERSONNEL PROVISIONS	131,058	124,478
PROVISIONS FOR RISKS AND LOSSES	83,677	80,983
CURRENT LIABILITIES	938,298	873,598
BANK OVERDRAFTS	12,771	19,517
BONDS	20,980	5,011
OTHER BORROWINGS	201,179	150,316
TRADE PAYABLES	432,507	427,418
of which to related parties (*)	2,257	2,251
OTHER PAYABLES	198,084	199,569
PROVISIONS FOR RISKS AND LOSSES	72,777	71,767
LIABILITIES HELD FOR SALE	--	6,662
TOTAL LIABILITIES AND EQUITY	3,394,893	3,480,624

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

CIR GROUP

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	2016	2015
SALES REVENUES	2,620,680	2,544,410
CHANGE IN INVENTORIES	5,460	(498)
COSTS FOR THE PURCHASE OF GOODS	(988,171)	(937,896)
COSTS FOR SERVICES	(613,197)	(623,738)
of which from related parties (*)	(6,321)	(1,259)
PERSONNEL COSTS	(712,363)	(708,458)
OTHER OPERATING INCOME	26,732	32,579
of which from related parties (*)	1,878	3,111
OTHER OPERATING COSTS	(80,331)	(91,592)
of which to related parties (*)	--	(236)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS		
CONSOLIDATED AT EQUITY	849	3,355
AMORTISATION, DEPRECIATION & WRITE-DOWNS	(129,229)	(138,176)
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	130,430	79,986
FINANCIAL INCOME	13,044	13,548
of which with related parties (*)	15	3,293
FINANCIAL EXPENSE	(60,207)	(63,197)
DIVIDENDS	11,557	257
GAINS FROM TRADING SECURITIES	11,860	76,880
LOSSES FROM TRADING SECURITIES	(668)	(2,360)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	2,568	(28,271)
NON-RECURRING INCOME (EXPENSE)	--	--
INCOME BEFORE TAXES	108,584	76,843
INCOME TAXES	(52,902)	(20,946)
INCOME (LOSS) AFTER TAXES FROM OPERATING ACTIVITY	55,682	55,897
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL	2,000	9,377
NET INCOME (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS	57,682	65,274
- (NET INCOME) LOSS OF MINORITY INTERESTS	(23,931)	(23,260)
- NET INCOME (LOSS) OF THE GROUP	33,751	42,014
BASIC EARNINGS (LOSS) PER SHARE (in euro)	0.0503	0.0590
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	0.0502	0.0589

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

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS
PURSUANT TO ART. 154 BIS OF D.LGS 58/98

1. The undersigned, Rodolfo De Benedetti, the Chairman, and Giuseppe Gianoglio, the executive responsible for the preparation of the financial statements of Cofide S.p.A., hereby certify, also taking into account the provisions of art. 154 -bis, paragraphs 3 and 4, of Legislative Decree 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 consolidated financial statements during the course of 2016.
2. In this respect, no significant issues have arisen which need to be reported.
3. We also certify that the consolidated financial statements:
 - 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 and of companies included in the consolidation.

The report on operations includes a reliable analysis of the Group's performance and results of operations, as well as the general situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, 13 March 2017

Signed by

Rodolfo De Benedetti
Chairman

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

COFIDE GROUP

Separate Financial statements

At 31 December 2016

STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF CASH FLOW

STATEMENT OF CHANGES IN EQUITY

EXPLANATORY NOTES

1. Statement of financial position

(in euro)

ASSETS	Notes	% (**)	31.12.2016	% (**)	31.12.2015
NON-CURRENT ASSETS			588,117,002		596,841,958
TANGIBLE ASSETS	5.a.		384,218		372,153
INVESTMENT PROPERTY	5.b.		851,763		851,763
INVESTMENTS IN SUBSIDIARIES	5.c.		573,821,503		573,821,503
OTHER EQUITY INVESTMENTS	5.d.		--		--
OTHER RECEIVABLES	5.e.		119,169		118,111
SECURITIES	5.f.		12,940,349		21,678,428
CURRENT ASSETS			13,957,274		12,301,267
OTHER RECEIVABLES	6.a.		261,499		201,784
of which: with related parties (*)		161,730 61.85		94,882 47.02	
SECURITIES	6.b.		11,265,429		10,006,230
CASH AND CASH EQUIVALENTS	6.c.		2,430,346		2,093,253
TOTAL ASSETS			602,074,276		609,143,225

LIABILITIES AND EQUITY		31.12.2016	31.12.2015
EQUITY		562,241,251	556,604,759
SHARE CAPITAL	7.a.	359,604,959	359,604,959
RESERVES	7.b.	164,019,666	167,125,920
RETAINED EARNINGS (LOSSES)	7.c.	19,804,941	33,470,054
NET INCOME (LOSS) FOR THE YEAR		18,811,685	(3,596,174)
NON-CURRENT LIABILITIES		37,180,449	50,367,100
OTHER BORROWINGS	8.a.	36,995,847	49,834,305
OTHER PAYABLES	8.b.	34,582	34,582
DEFERRED TAXES	8.c.	150,020	353,959
PERSONNEL PROVISIONS	8.d.	--	144,254
CURRENT LIABILITIES		2,652,576	2,171,366
BANK OVERDRAFTS	9.a.	--	161
TRADE PAYABLES	9.b.	1,039,280	755,066
OTHER PAYABLES	9.c.	1,613,296	1,416,139
TOTAL LIABILITIES AND EQUITY		602,074,276	609,143,225

2. Income Statement

(in euro)

	Notes	%(**)		2016	%(**)		2015
SUNDRY REVENUES AND INCOME	10			228,794			411,191
<i>of which sundry revenues and income with related parties (*)</i>		134,375	58.73%		365,000	88.77%	
COSTS FOR THE PURCHASE OF GOODS	11			(8,918)			(26,621)
COSTS FOR SERVICES	12			(1,380,026)			(1,456,917)
<i>of which from related parties (*)</i>		(122,000)	8.84%		(268,400)	18.24%	
PERSONNEL COSTS	13			(45,270)			(176,380)
OTHER OPERATING COSTS	14			(500,257)			(445,823)
AMORTISATION, DEPRECIATION & WRITE-DOWNS	15			(48,096)			(44,155)
EBIT				(1,753,773)			(1,738,705)
FINANCIAL INCOME	16			14,524			54,884
FINANCIAL EXPENSE	17			(1,145,265)			(1,647,444)
DIVIDENDS	18			16,005,931			--
<i>of which from related parties (*)</i>		16,005,931	100.0%		--	0.0%	
GAINS FROM TRADING SECURITIES	19			4,721,839			463,482
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	20			1,259,199			(728,391)
INCOME (LOSS) BEFORE TAXES				19,102,455			(3,596,174)
INCOME TAXES	21			(290,770)			--
NET INCOME (LOSS) FOR THE YEAR				18,811,685			(3,596,174)
INCOME/(LOSS) FROM ASSETS HELD FOR SALE							
BASIC EARNINGS (LOSS) PER SHARE (in euro)	22			0.0262			(0.0050)
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	22			0.0262			(0.0050)

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

(**) Percentage of the whole

3. Statement Of Comprehensive Income

(in euro)

	2016	2015
Net result for the year	18,811,685	(3,596,174)
Other components of comprehensive income		
Change in fair value of available-for-sale financial assets	(3,310,193)	1,198,363
Taxes on other comprehensive income	203,939	(77,082)
Items of other comprehensive income for the period, net of tax	(3,106,254)	1,121,281
TOTAL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR	15,705,431	(2,474,893)
BASIC EARNINGS (LOSS) PER SHARE (in euro)	0.0218	(0.0034)
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	0.0218	(0.0034)

4. Statement of cash flows

(in euro)

	2016	2015
OPERATING ACTIVITY		
NET INCOME (LOSS) FOR THE YEAR	18,811,685	(3,596,174)
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & WRITE-DOWNS	48,096	44,154
ALLOCATION TO PERSONNEL PROVISIONS, NET OF USE	(144,254)	10,163
LOSSES/(GAINS) ON SALE OF CURRENT SECURITIES	--	--
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(1,259,199)	728,391
(INCREASE) DECREASE IN NET WORKING CAPITAL	421,212	499,385
CASH FLOW FROM OPERATING ACTIVITY	17,877,540	(2,314,081)
INVESTMENT ACTIVITY		
CHANGE IN TANGIBLE ASSETS AND INVESTMENT PROPERTY	(60,161)	8,056
CHANGE IN INVESTMENTS IN SUBSIDIARIES	--	--
CHANGE IN OTHER CAPITALISED RECEIVABLES	(1,058)	(1,058)
NET CHANGE IN CURRENT SECURITIES	5,428,330	(906,375)
CASH FLOW FROM INVESTMENT ACTIVITY	5,367,111	(899,377)
FINANCING ACTIVITY		
CHANGE IN OTHER BORROWINGS	(12,838,458)	4,206,960
NET CHANGE IN CURRENT SECURITIES	--	(601,948)
DIVIDENDS PAID	(10,068,939)	--
CASH FLOW FROM FINANCING ACTIVITY	(22,907,397)	3,605,012
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS	337,254	391,554
NET CASH & CASH EQUIVALENTS - OPENING BALANCE (*)	2,093,092	1,701,538
NET CASH & CASH EQUIVALENTS - CLOSING BALANCE (*)	2,430,346	2,093,092

(*) Cash and cash equivalents, net of bank overdrafts

5. Statement of changes in equity

	Attributable to shareholders of the parent company				
	Share capital	Reserves	Retained earnings (losses)	Net income (losses) for the year	Total
<i>(in euro)</i>					
Balance at 31 December 2014	359,604,959	166,004,639	36,430,706	(2,960,652)	559,079,652
Allocation of 2014 result to reserves	--	--	(2,960,652)	2,960,652	--
Distribution to Shareholders	--	--	--	--	--
Adjustment of securities to fair value:					
-Change in reserve	--	1,198,363	--		1,198,363
- deferred taxes on reserve changes	--	(77,082)	--	--	(77,082)
<i>2015 result</i>	--	--	--	(3,596,174)	(3,596,174)
<i>Total comprehensive result for 2015</i>	--	1,121,281	--	(3,596,174)	(2,474,893)
Balance at 31 December 2015	359,604,959	167,125,920	33,470,054	(3,596,174)	556,604,759
Allocation of 2015 result to reserves	--	--	(3,596,174)	3,596,174	--
Distribution to Shareholders	--	--	--	--	(10,068,939)
Adjustment of securities to fair value:					
- change in reserve	--	(3,310,193)	--		(3,310,193)
- deferred taxes on reserve changes	--	203,939	--		203,939
<i>2016 result</i>	--	--	--	18,811,685	18,811,685
<i>Total comprehensive result for 2016</i>	--	(3,106,254)	--	18,811,685	15,705,431
Balance at 31 December 2016	359,604,959	164,019,666	19,804,941	18,811,685	562,241,251

6. Explanatory notes

1. Introduction

These financial statements have been prepared in accordance with international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board ("IASB") and ratified by the European Union, as well as with the measures issued in implementation of art. 9 of Legislative Decree 38/2005, including all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The financial statements are prepared on the basis of the principle of historical cost, modified as required for the valuation of certain financial instruments, in compliance with the matching and revenue recognition principles and on the assumption that the enterprise is a going concern. In spite of the difficult economic and financial context, the Company has established that there are no significant uncertainties regarding going concern, as defined in paragraph 24 of IAS 1.

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 year and in the previous year;
- the statement of comprehensive income shows the theoretical effect of net changes in fair value of available-for-sale financial assets.

These financial statements have been prepared in thousands of euro, which is the "functional" and "presentation" currency of Cofide S.p.A. in accordance with IAS 21, except where indicated otherwise.

Events which occurred after the reporting date

No important events took place after the end of the year which could have had a significant effect on the Company's financial position, equity or results. See points 5 and 6 of the Report on Operations for an explanation of events that took place after the end of the year and the outlook.

Publication of the financial statements was authorised by the Company's Board of Directors on 13 March 2017 (as required by paragraph 17 of IAS 10).

Below is a description of the accounting standards adopted in the preparation of these financial statements as of 31 December 2016 in relation to the main items of the statement of financial position and income statement.

2. Accounting policies

2.a. Tangible assets (IAS 16)

Tangible assets are measured at purchase price or at production cost and are recognised 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.

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

Given the standard nature of the assets included in the various asset categories, their useful lives are considered as represented by the following rates:

	Rates
Buildings used for operating purposes	3%
Motor vehicles	25%
Electronic office equipment	20%
Furniture and fittings	15%
Alarm systems	30%
Telephone systems	20%
Assets expensed during the year	100%

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".

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 Company 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 write-down is reversed. Write-downs and reversals are posted to the income statement.

2.b. 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 remeasurements after initial recognition, the Company has opted for the cost method to be applied to all of its investment

property. Under the cost method, the value is measured net of depreciation and any impairment losses.

If there is a change of classification from investment property to use by the owner or a transfer to stock, the fair value at the date of the change is replaced by its cost. If the reclassification is the other way round, IAS 16 is applied up to the change. Any difference between the carrying amount and the fair value should be treated as a revaluation in accordance with IAS 16.

On disposal or when the asset is permanently withdrawn from use, all related income and expenses must be charged to the income statement.

2.c. Impairment of assets (IAS 36)

At least once a year the Company verifies the recoverability of the carrying value of intangible assets, tangible assets and investments in subsidiaries and associates in order to determine whether these assets have suffered any impairment. If there is evidence of such a loss, the carrying value of the asset is reduced to its recoverable value.

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

In detail, during impairment testing of the value of investments in subsidiaries and associates, since these are investments for which a market value (i.e. *fair value less costs of disposal*) is in some cases unreliable, the recoverable value was defined as its value in use, i.e. the present value of estimated cash flows in relation to the expected results of investee companies and to the estimated value of a hypothetical ultimate disposal in line with IAS 28 (paragraph 33).

When at a later date the impairment ceases to exist or is reduced, the carrying value of the assets is reversed by up to the new estimated recoverable value, but cannot exceed the value which would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is recognised immediately in the income statement.

2.d. Investments in subsidiaries and associates (IFRS 10, IAS 27 and IAS 28)

Investments in subsidiaries and associates are recognised at cost adjusted for any impairment.

Any positive difference, arising on acquisition, between the acquisition cost and the acquirer's share of equity of the investee company at current values is therefore included in the carrying value of the investment.

Investments in subsidiaries and associates are tested for impairment every year, or more frequently if necessary. Where there is evidence of impairment of the investments, the impairment loss is recognised in the income statement as a write-down.

In the event of the Company's share of the losses of the investee company exceeding the carrying value of the investment, and when the Company is liable or accepts liability, then the value of the investment is reduced to zero and the Company's share of any further losses is recognised as a provision under liabilities. Should the impairment subsequently cease to exist or reduce, the value is reversed to the income statement up to the limit of its cost.

2.e. Other investments

Investments in other companies, classified as non-current financial assets which are not held for trading, are initially classified as available-for-sale financial assets and are recognised at fair value. Subsequently, gains and losses from changes in fair value as indicated in market prices are recognised directly to equity until the assets are sold or suffer impairment. When the asset is sold, all of the gains and losses previously recognised to equity are recognised to the income statement in that period.

When an asset is written down, the accumulated losses are included in the income statement. Investments in other minor companies, which do not have a market price, are recognised at cost which may be written down in the event of impairment.

2.f. Receivables and payables (IAS 32 and 39)

Receivables are initially recognised at amortised cost and then measured at their estimated realisable value. Payables are initially recognised 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. Any net gain is allocated to a non-distributable reserve until it is realised.

No foreign currency receivables or payables are included in the financial statements at 31 December 2016.

2.g. 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.

This category also includes financial assets acquired or issued that are classified as held for trading.

See the specific section on financial instruments for a more complete discussion of the accounting standards that concern them.

2.h. Income taxes (IAS 12)

Current taxes are provided for on the basis of a realistic estimate of taxable income under current tax regulations, taking into account any exemptions that may apply.

Deferred taxes are determined on the basis of taxable or deductible temporary differences between the carrying amount of assets and liabilities and their value for tax purposes. They 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.

2.i. 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 price changes.

2.l. 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.

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.

“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 changes in accounting standards and/or the correction of errors accounted for in accordance with IAS 8.

2.m. 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.

2.n. Revenues and income (IAS 18)

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, in the year in which they are collected;
- interest, using the effective interest rate method (IAS 39);

2.o. Employee benefits (IAS 19)

Benefits to be paid to employees on termination of their employment and other long term benefits are not subject to actuarial valuation as the residual liability, especially of the employee leaving indemnity, is not significant also considering the number of employees.

2.p. Derivatives (IAS 32 and 39)

Derivatives are measured at fair value.

Non-hedging derivatives are classified as financial instruments at fair value through profit and loss (FVTPL).

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.

2.q. Foreign currency translation (IAS 21)

The Company's functional currency is the euro and this is the currency in which its financial statements are prepared.

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.

2.r. 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 revised periodically and the effects of any changes made to them are reflected in the income statement for the period in which the amendment is made if the revision only affects that period, or subsequent periods as well if the amendment affects both the current and future years.

The main items affected by this estimation process are the valuation of subsidiaries and associates, deferred taxes and the fair value of financial instruments.

See the notes on these specific items for further details.

2.s. Earnings per share (IAS 33)

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

Diluted earnings or loss per share are calculated by adjusting the weighted average number of ordinary shares in circulation to take into account the effect of all potential ordinary shares.

2.t. Adoption of new accounting standards, interpretations and amendments

See point 6 of the Notes to the Consolidated Financial Statements.

3. Financial instruments

Financial instruments are of particular importance in the economic and financial structure of the Company. 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) and 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 designated 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 a financial asset within the scope of IAS 39 but different from investments in equity instruments, whose fair value can be reliably determined.

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

The designation of the individual instrument to this category is definitive; it is made at the time of initial recognition and cannot be changed.

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

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 (up to 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.

Financial instruments held for trading 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.

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 an 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 Company 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.

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.

Assets and liabilities measured at fair value on a recurring basis

Please refer to the "Other information" section for further details.

No transfers were made between the levels of the fair value hierarchy during the year.

Assets and liabilities not measured at fair value on a recurring basis

For the financial instruments represented by short-term receivables and payables and for which the present value of future cash flows does not differ significantly from their carrying amount, it is assumed that this is a reasonable approximation of their fair value. In particular, the carrying amount of receivables and other current assets and trade payables and other current liabilities approximates their fair value.

Please refer to the "Other information" section for further details.

4. 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.

Statement of financial position

5. Non-current assets

5.a. Tangible assets

2015	Opening position			Movements during the year				Closing position		
(in euro)	Original cost	Accumulated depreciation	Balance 01.01.2015	Additions	Disposals and adjustments		Depreciation	Original cost	Accumulated depreciation	Balance 31.12.2015
					cost	accum. depr.				
Buildings										
- Operating building in Rome	1,315,924	(906,124)	409,800	--	--	--	(39,478)	1,315,924	(945,602)	370,322
Total	1,315,924	(906,124)	409,800	--	--	--	(39,478)	1,315,924	(945,602)	370,322
Industrial and commercial equipment										
- Motor vehicles	143,724	(135,668)	8,056	--	(32,224)	24,168	--	111,500	(111,500)	--
- Electronic office equipment	61,993	(61,120)	873	--	--	--	(873)	61,993	(61,993)	--
- Furniture and fittings	396,735	(394,815)	1,920	--	--	--	(1,436)	396,735	(396,251)	484
- Alarm systems	47,889	(47,889)	--	--	--	--	--	47,889	(47,889)	--
- Telephone systems	12,041	(12,041)	--	--	--	--	--	12,041	(12,041)	--
- Machinery and sundry equipment	28,373	(24,659)	3,714	--	--	--	(2,367)	28,373	(27,026)	1,347
- Assets expensed during the year	20,973	(20,973)	--	--	--	--	--	20,973	(20,973)	--
Total	711,728	(697,165)	14,563	--	(32,224)	24,168	(4,676)	679,504	(677,673)	1,831
Total tangible fixed assets	2,027,652	(1,603,289)	424,363	--	(32,224)	24,168	(44,154)	1,995,428	(1,623,275)	372,153

2016	Opening position			Movements during the year				Closing position		
(in euro)	Original cost	Accumulated depreciation	Balance 01.01.2016	Additions	Disposals and adjustments		Depreciation	Original cost	Accumulated depreciation	Balance 31.12.2016
					cost	accum. depr.				
Buildings										
- Operating building in Rome	1,315,924	(945,602)	370,322	--	--	--	(39,478)	1,315,924	(985,080)	330,844
Total	1,315,924	(945,602)	370,322	--	--	--	(39,478)	1,315,924	(985,080)	330,844
Industrial and commercial equipment										
- Motor vehicles	111,500	(111,500)	--	60,161	(111,500)	111,500	(7,520)	60,161	(7,520)	52,641
- Electronic office equipment	61,993	(61,993)	--	--	--	--	--	61,933	(61,993)	--
- Furniture and fittings	396,735	(396,251)	484	--	--	--	(290)	396,735	(396,541)	194
- Alarm systems	47,889	(47,889)	--	--	--	--	--	47,889	(47,889)	--
- Telephone systems	12,041	(12,041)	--	--	--	--	--	12,041	(12,041)	--
- Machinery and sundry equipment	28,373	(27,026)	1,347	--	--	--	(808)	28,373	(27,834)	539
- Assets expensed during the year	20,973	(20,973)	--	--	--	--	--	20,973	(20,973)	--
Total	679,504	(677,673)	1,831	60,161	(111,500)	111,500	(8,618)	628,165	(574,791)	53,374
Total tangible fixed assets	1,995,428	(1,623,275)	372,153	60,161	(111,500)	111,500	(48,096)	1,944,089	(1,559,871)	384,218

5.b. investment property

This item has had the following changes:

2015	Opening position			Movements during the year				Closing position		
(in euro)	Original cost	Accumulated depreciation	Balance 01.01.2015	Additions	Disposals		Depreciation	Original cost	Accumulated depreciation	Balance 31.12.2015
					cost	accum. depr.				
Buildings:										
- Non-operating building in Milan	853,714	(1,951)	851,763	--	--	--	--	853,714	(1,951)	851,763
Total	853,714	(1,951)	851,763	--	--	--	--	853,714	(1,951)	851,763

2016	Opening position			Movements during the year				Closing position		
(in euro)	Original cost	Accumulated depreciation	Balance 01.01.2016	Additions	Disposals		Depreciation	Original cost	Accumulated depreciation	Balance 31.12.2016
					cost	accum. depr.				
Buildings:										
- Non-operating building in Milan	853,714	(1,951)	851,763	--	--	--	--	853,714	(1,951)	851,763
Total	853,714	(1,951)	851,763	--	--	--	--	853,714	(1,951)	851,763

This is a property located in the centre of Milan, whose market value is significantly higher than its carrying amount.

5.c. Investments in subsidiaries

This item has had the following changes:

2015 (in euro)	Opening position 01.01.2015		Movements during the year						Closing position 31.12.2015	
	no. shares	amount	Increases		Decreases		Write-downs		no. shares	amount
			no. shares	amount	no. shares	amount		amount		
CIR S.p.A.	363,771,164	573,821,503	--	--	--	--	--	--	363,771,164	573,821,503
Total		573,821,503		--		--				573,821,503

2016 (in euro)	Opening position 01.01.2015		Movements during the year						Closing position 31.12.2016	
	no. shares	amount	Increases		Decreases		Write-downs		no. shares	amount
			no. shares	amount	no. shares	amount		amount		
CIR S.p.A.	363,771,164	573,821,503	--	--	--	--	--	--	363,771,164	573,821,503
Total		573,821,503	--	--	--	--	--	--		573,821,503

The following summary information about CIR S.p.A. has been extracted from the draft financial statements approved by the Board of Directors of that company (*amounts in euro*):

Name	Registered office	Capital 31.12.2016	Equity 31.12.2016	Income (loss) 2016	Percentage direct control	Percentage indirect control
CIR S.p.A. (*)	Via Ciovassino 1, Milan	397,146,183	978,051,532	14,230,577	45.80%	54.64%

(*) The percentage of indirect control includes CIR treasury shares

As required by IFRS, the investment in CIR S.p.A. held at year end was subjected to impairment testing in order to check for objective evidence that its carrying amount might not be fully recoverable.

For the purposes of carrying out the impairment test in the separate financial statements, this investment was not considered significant individually, but given its nature as a holding company, it was included in the impairment test of the CGUs performed at a consolidated level.

5.d. Other investments

This item has had the following changes:

2015	Opening position 01.01.2015		Movements during the year						Closing position 31.12.2015	
			Increases		Decreases		Write-downs			
	no. shares	amount	no. shares	amount	no. shares	amount	amount		no. shares	amount
(in euro)										
KIWI.COM. SERVICOS DE CONSULTORIA S.A.	3,812,055	--	--	--	--	--	--	--	3,812,055	--
C IDC S.p.A. (in liquidation and in composition with creditors)	1,231,319	--	--	--	--	--	--	--	1,231,319	--
Total		--	--	--	--	--	--	--		--

2016	Opening position 01.01.2016		Movements during the year						Closing position 31.12.2016	
			Increases		Decreases		Write-downs			
	no. shares	amount	no. shares	amount	no. shares	amount	amount		no. shares	amount
(in euro)										
KIWI.COM. SERVICOS DE CONSULTORIA S.A.	3,812,055	--	--	--	--	--	--	--	3,812,055	--
C IDC S.p.A. (in liquidation and in composition with creditors)	1,231,319	--	--	--	--	--	--	--	1,231,319	--
Total		--		--		--	--	--		--

These investments were already fully written down in previous years.

Pursuant to art. 87 of the Income Tax Code, note that the above investments were recorded under financial assets in previous financial statements prepared in accordance with local GAAP.

5.e. Other receivables

This item includes the following:

(in euro)	31.12.2016	31.12.2015
Due from the Treasury	104,028	102,970
Other receivables	15,141	15,141
Total	119,169	118,111

5.f. Securities

This item includes the following:

<i>(in euro)</i>	31.12.2016	31.12.2015
<i>Available-for-sale securities</i>		
Investments in other companies	1,000,000	1,000,000
Investment funds	11,940,349	20,678,428
Total	12,940,349	21,678,428

The year-end measurement at fair value of available-for-sale securities led to a negative adjustment of € 3,310,193 which was recognised directly in equity.

6. Current assets

6.a. Other receivables

This item includes the following:

<i>(in euro)</i>	31.12.2016	31.12.2015
Due from the Treasury	--	78,528
Other receivables	99,770	28,375
Other receivables with related parties	161,729	94,881
Total	261,499	201,784

6.b. Securities

This item includes the following:

<i>(in euro)</i>	31.12.2016	31.12.2015
<i>Securities held for trading</i>		
Investments in other companies	1,620,166	1,841,600
Investment funds	9,645,263	8,164,630
Total	11,265,429	10,006,230

Measure of the fair value of securities held for trading at year end resulted in recognition in the income statement of a net positive adjustment of € 1,259,199.

6.c. Cash and cash equivalents

Cash and cash equivalents increased by € 337,093 going from € 2,093,253 to € 2,430,346.

Changes are analysed in the statement of cash flows together with the changes in current bank borrowings.

7. Equity

7.a. Share capital

The share capital of € 359,604,959 consists of 719,209,918 ordinary shares with a par value of € 0.50 each and is fully subscribed and paid up. None of the shares are subject to any rights, privileges or limitations on the distribution of dividends.

7.b. Reserves

Changes in equity reserves are shown in the table on the next page.

In the interests of clarity, we have maintained the breakdown of reserves according to their origin as shown in the previous financial statements prepared in accordance with local GAAP.

The "fair value reserve" reflects the valuation of securities in current assets, classified as available for sale.

7.c. Retained earnings (losses)

The investment revaluation reserve that was used up to 31 December 2004 to value investments in subsidiaries under the equity method was initially reclassified to this item in accordance with international accounting standards.

This item went from € 33,470,054 to € 19,804,941 with a decrease of € 13,665,113 due to: i) coverage of the losses of the previous year of € 3,596,174 and ii) distribution of a dividend to Shareholders of € 10,068,939.

The information on how the various equity items can be used and distributed is shown in attachment (no.1).

CHANGES IN EQUITY RESERVES:

	Share premium reserve	Legal reserve	Merger surplus	Recovery of historical cost of investments	IAS FTA reserve	Fair value reserve	TOTAL
<i>(in euro)</i>							
BALANCE AT 1 JANUARY 2015	5,044,115	22,643,845	42,975	133,069,943	243,375	4,960,386	166,004,639
Changes in fair value reserve:							
. Valuation at year-end fair value of available-for-sale securities	--	--	--	--	--	1,198,363	1,198,363
. Deferred taxes on fair value at year end	--	--	--	--	--	(77,082)	(77,082)
BALANCE AT 31 DECEMBER 2015	5,044,115	22,643,845	42,975	133,069,943	243,375	6,081,667	167,125,920
Changes in fair value reserve:							
. Valuation at year-end fair value of available-for-sale securities	--	--	--	--	--	(3,310,193)	(3,310,193)
. Deferred taxes on fair value at year end	--	--	--	--	--	203,939	203,939
BALANCE AT 31 DECEMBER 2016	5,044,115	22,643,845	42,975	133,069,943	243,375	2,975,413	164,019,666

8. Non-current liabilities

8.a. Other borrowings

This item includes the following:

<i>(in euro)</i>	<i>31.12.2016</i>	<i>31.12.2015</i>
Secured bank loan	36,995,847	49,834,305
Total	36,995,847	49,834,305

During the previous year, the two existing loans from primary banking institutions were renewed with lower interest margins and longer maturities.

The initial loan of Euro 45,000,000 maturing on 23 December 2016 and regulated at 3-month Euribor plus a spread of 375 basis points per annum has been renewed for the same amount with maturity on 23 December 2018 and the interest margin reduced to 225 basis points. It includes a "revolving" component of € 20,000,000 and a forward component of € 25,000,000. Net refund in the year was of € 8,000,000.

At the end of the year, the interest rate applied to the loan was 1.935%.

The loan covenants require the company to maintain a ratio of net borrowing to the total value of equity investments and securities held and not given in guarantee of less than 40%. This requirement has been met in full.

The "revolving" loan for a maximum nominal amount of € 20,000,000 with maturity on 11 December 2015, accruing annual interest at 3-month Euribor plus a spread of 250 bps, has been renewed for the same amount with maturity on 11 December 2018 and the interest margin reduced to 200 bps. It was not used at the end of the financial year.

8.b. Other payables

This item includes the following:

<i>(in euro)</i>	<i>31.12.2016</i>	<i>31.12.2015</i>
Payables due beyond 12 months	34,582	34,582
Total	34,582	34,582

8.c. Deferred tax liabilities

This item includes the following:

(in euro)	31.12.2016		31.12.2015	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Valuation of securities available-for-sale	3,125,432	150,020	6,435,626	353,959
Total deferred taxes	3,125,432	150,020	6,435,626	353,959

Deferred tax liabilities are shown net of deferred tax assets, calculated taking into account the recoverability of carry-forward tax losses, as there is a legal right to offset these amounts. These deferred taxes are booked as a reduction of the fair value reserve.

8.d. Personnel provisions

Details and movements are as follows:

(in euro)	31.12.2016	31.12.2015
Employee leaving indemnity (TFR)	--	144,254
Total	--	144,254

Balance at 1 January 2016	144,254
Net change for the year	(144,254)
Taxes	--
Balance at 31 December 2016	--

As part of the process of reorganising the services provided within the Group, the employees were transferred to the subsidiary CIR S.p.A.

9. Current liabilities

9.a. Bank overdrafts

There are no bank liabilities at the end of the financial year (€ 161 at 31 December 2015).

Changes are analysed in the statement of cash flows together with the changes in cash and cash equivalents.

9.b. Trade payables

These refer to amounts due to suppliers, which have gone from € 755,066 to € 1,039,280.

9.c. Other payables

<i>(in euro)</i>	<i>31.12.2016</i>	<i>31.12.2015</i>
Due to the Treasury	1,580,316	1,364,247
Social security payables	9,676	15,251
Other payables	23,304	36,641
Total	1,613,296	1,416,139

Income statement

10. Sundry revenues and income

This item includes the following:

<i>(in euro)</i>	2016	2015
Services to subsidiaries	49,375	280,000
Property income from subsidiaries	85,000	85,000
Property income	27,798	27,798
Other income and cost recoveries from third parties	66,621	18,393
Total	228,794	411,191

Services to subsidiaries relate to the operational and communication support provided to CIR S.p.A. at arm's-length conditions.

The reduction compared with the previous year reflects the process of reorganizing the services provided within the Group.

11. Costs for the purchase of goods

This reflects the value of the company's purchases of consumer goods.

They have gone from € 26,621 to € 8,918.

12. Costs for services

This item includes the following:

<i>(in euro)</i>	2016	2015
Services from subsidiaries	122,000	268,400
Administrative, fiscal, legal and corporate consulting	559,456	568,423
Fees for corporate bodies	412,204	425,800
Other operating expenses	286,366	194,294
Total	1,380,026	1,456,917

Services from subsidiaries relate to the financial, legal and administrative assistance provided by Cir S.p.A. at arm's-length conditions.

The reduction compared with the previous year reflects the process of reorganizing the services provided within the Group.

13. Personnel costs

Personnel costs went from € 176,380 to € 45,270 with a reduction of € 131,110 resulting from the transfer of employees to CIR S.p.A. as part of the process of reorganizing the services provided within the Group.

The following table shows the changes during the year in the number of employees by category:

	31.12.2015	New hires	Resignations	31.12.2016	Average for the year
Executives	--	--	--	--	--
Employees	2	--	2	--	1
Total	2	--	2	--	1

14. Other operating expense

This item includes the following:

(in euro)	2016	2015
Taxes, duties and rights	118,478	87,491
Mandatory contributions and membership fees	102,272	100,351
Charities	232,500	232,500
Other charges and expenses	47,007	25,482
Total	500,257	445,824

15. Amortisation, depreciation & write-downs

This item only includes the depreciation of tangible fixed assets, which fell from € 44,154 to € 48,096.

16. Financial income

This item includes the following:

(in euro)	2016	2015
Interest income on bank deposits	2,985	20,919
Other financial income	11,539	33,965
Total	14,524	54,884

17. Financial expense

This item includes the following:

<i>(in euro)</i>	2016	2015
Interest and financial charges on bank loans	1,077,764	1,621,967
Interest and bank charges	42,100	18,734
Fees on stock market transactions	25,401	6,743
Total	1,145,265	1,647,444

18. Dividends

This item includes the following:

<i>(in euro)</i>	2016	2015
Dividends from investments in other companies	16,005,931	--
Total dividends	16,005,931	--

This item includes dividends received by CIR S.p.A.

19. Gains from trading securities

This item includes the following:

<i>(in euro)</i>	2016	2015
Gains on trading investments in other companies	--	163,234
Gains from investment funds	4,721,839	300,248
Total	4,721,839	463,482

20. Adjustments to financial assets

This item includes the following:

<i>(in euro)</i>	2016	2015
Revaluation of investment funds	1,480,633	
Write-down of investment funds	--	(399,195)
Revaluation of equity investments in other companies	143,464	43,171
Write-downs of equity investments in other companies	(364,898)	(372,367)
Total	1,259,199	(728,391)

21. Income taxes

This item includes the following:

<i>(in euro)</i>	2016	2015
Current taxes	(290,770)	--
Total	(290,770)	--

This refers to IRES tax for the year.

Deferred taxes have been booked as a reduction of the fair value reserve. These refer to the valuation of securities classified as available for sale. The amount was determined taking into account the recoverability of tax losses.

22. Earnings (loss) per share

Basic earnings or loss per share are determined by dividing net income for the period attributable to the ordinary shareholders by the weighted average number of ordinary shares in circulation. Diluted earnings or loss per share are 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 does not have any outstanding options or treasury shares, so diluted EPS per share is the same as basic EPS.

The following section provides information on the shares for the calculation of basic and diluted earnings or loss per share (in euro):

	2016	2015
Net income attributable to the shareholders	18,811,685	(3,596,174)
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings (loss) per share	0.0262	(0.0050)

	2016	2015
Comprehensive income attributable to the shareholders	15,705,431	(2,474,893)
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings (loss) per share	0.0218	(0.0034)

23. Related party transactions

Information regarding the impact that related party transactions have on the financial and equity situation and on the result for the year are provided in the comment on the individual items of the financial statements.

In the "Other information" section of the Directors' report on operations there is a summary of the effects of these transactions.

24. Net financial position

The net financial position in accordance with Consob Resolution no. 6064293 dated 28 July 2006 is as follows:

<i>(in euro)</i>	<i>31.12.2016</i>	<i>31.12.2015</i>
A. Cash and bank deposits	2,430,346	2,093,253
B. Other cash equivalents	--	--
C. Securities held for trading	11,265,429	10,006,230
D. Liquidity	13,695,775	12,099,483
E. Current financial receivables	--	--
F. Current bank payables	--	161
G. Current portion of non-current debt	--	--
H. Other current borrowings	--	--
I. Current financial debt (F) + (G) + (H)	--	161
J. Net current financial (surplus) debt (I) - (E) - (D)	(13,695,775)	(12,099,322)
K. Non-current bank borrowings	36,995,847	49,834,305
L. Non-current financial debt	36,995,847	49,834,305
M. Net financial (surplus) debt (J) + (L)	23,300,072	37,734,983

25. Other information

FINANCIAL RISK MANAGEMENT: ADDITIONAL DISCLOSURES (IFRS 7)

With regard to business risks, the main financial risks identified, monitored and actively managed by the Company are the following:

- interest rate risk resulting from exposure to fluctuations in interest rates;
- credit risk resulting from the potential default of a counterparty;
- liquidity risk resulting from a lack of financial resources to meet short term commitments.

Interest rate risk

Fluctuation in interest rates affects the market value of financial assets and the level of net financial expenses.

The Company continuously monitors its exposure to interest rate risk and manages this risk by investing in financial instruments that are consistent with its long term funding through the floating-rate loans maturing in 2018.

Sensitivity analysis

A sensitivity analysis was not carried out on changes in interest rates as the company is marginally exposed to this risk, given that its debt is floating-rate hedged by a derivative.

Credit risk

Credit risk represents the Company's exposure to potential losses resulting from the failure of counterparties to meet their obligations. In relation in particular to financial counterparty risk resulting from the investment of liquidity and from derivative positions, counterparties are selected according to guidelines which set out the characteristics of the counterparties suitable for financial

transactions. The list of possible counterparties includes both national and international companies with a high credit rating.

The Company has not encountered any cases of default by counterparties.

At 31 December 2016 there was no significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that financial resources may not be available or may be available only at a monetary cost. At present, the company believes that it can meet its foreseeable borrowing requirements on the basis of its available resources and the expected future cash inflows and agreements already in place with the banking system.

Measurement of financial assets and liabilities and fair value hierarchy

In accordance with IFRS 7 and 13, we are obliged to indicate whether the fair value of securities is determined, in whole or in part, by direct reference to published price quotations in an active market ("Level 1"), or estimated using prices derived from market prices for similar assets or using valuation techniques for which all significant factors are derived from observable market data ("Level 2"), or by using valuation techniques that are based, to a considerable extent, on inputs not available on the market, which therefore involve estimates and assumptions on the part of management ("Level 3").

The following table classifies securities according to how their fair value was determined in 2016 and 2015 (*in euro*):

2016	Level 1	Level 2	Level 3	Total
NON-CURRENT ASSETS				
<i>Financial assets at fair value in equity</i>				
Available-for-sale securities:				
- Investments in other companies	--	1,000,000	--	1,000,000
- Investment funds	--	11,940,349	--	11,940,349
<i>Total</i>	--	12,940,349	--	12,940,349
<i>Financial assets at fair value through profit and loss</i>				
	--	--	--	--
Total securities	--	12,940,349	--	12,940,349
CURRENT ASSETS				
<i>Financial assets at fair value in equity</i>				
Available-for-sale securities:				
- Investment funds	--	--	--	--
<i>Total</i>	--	--	--	--
<i>Financial assets at fair value through profit and loss</i>				
Securities held for trading:				
- Investments in other companies	--	1,620,166	--	1,620,166
- Investment funds	--	9,645,263	--	9,645,263
<i>Total</i>	--	11,265,429	--	11,265,429
Total securities	--	11,265,429	--	11,265,429
2015	Level 1	Level 2	Level 3	Total
NON-CURRENT ASSETS				
<i>Financial assets at fair value in equity con contropartita patrimonio netto</i>				
Titoli disponibili per la vendita:				
- Partecipazioni in altre imprese	--	1,000,000	--	1,000,000
- Investment funds	--	20,678,428	--	20,678,428
<i>Total</i>	--	21,678,428	--	21,678,428
<i>Financial assets at fair value through profit and loss</i>				
	--	--	--	--
Total securities	--	21,678,428	--	21,678,428
CURRENT ASSETS				
<i>Financial assets at fair value in equity</i>				
Available-for-sale securities:				
- Investment funds	--	--	--	--
<i>Total</i>	--	--	--	--
<i>Financial assets at fair value through profit and loss</i>				
Securities held for trading:				
- Investments in other companies	--	1,841,600	--	1,841,600
- Investment funds	--	8,164,630	--	8,164,630
<i>Total</i>	--	10,006,230	--	10,006,230
Total securities	--	10,006,230	--	10,006,230

In compliance with the requirements of accounting standard IFRS 7, the following charts give information regarding the various categories of financial assets and liabilities and the risk categories of financial instruments.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE 2016 FINANCIAL STATEMENTS

(in thousands of euro)	Items	Carrying amount	FVTPL assets designated as such on initial recognition	FVTPL assets classified as held for trading	Loans and receivables	Investments held to maturity	Available-for-sale financial assets	FVTPL liabilities designated as such on initial recognition	Liabilities at fair value through P&L classified as held for trading	Liabilities at amortised cost	Fair value	Effect on the income statement	Effect on equity
NON-CURRENT ASSETS													
Other receivables	5.e.	15	--	--	15	--	--	--	--	--	15	--	--
Securities	5.f.	12,940	--	--	--	--	12,940	--	--	--	12,940	4,600	(3,310)
CURRENT ASSETS													
Other receivables	6.a.	261	--	--	261	--	--	--	--	--	261	--	--
Securities	6.b.	11,265	--	11,265	--	--	--	--	--	--	11,265	122	--
Cash and cash equivalents	6.c.	2,430	--	--	2,430	--	--	--	--	--	2,430	15	--
NON-CURRENT LIABILITIES													
Other borrowings	8.a.	36,996	--	--	--	--	--	--	--	36,996	36,996	(1,120)	--
Other payables	8.b.	35	--	--	--	--	--	--	--	35	35	--	--
CURRENT LIABILITIES													
Bank overdrafts	9.a.	--	--	--	--	--	--	--	--	--	--	--	--
Other borrowings	9.b.	--	--	--	--	--	--	--	--	--	--	--	--
Trade payables	9.c.	1,039	--	--	--	--	--	--	--	1,039	1,039	--	--

Additional disclosures

"Other borrowings" in non-current liabilities relate to two floating-rate bank loans maturing at the end of 2018. The carrying amount is considered a reasonable approximation of its fair value.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE 2015 FINANCIAL STATEMENTS

(in thousands of euro)	Items	Carrying amount	FVTPL assets designated as such on initial recognition	FVTPL assets classified as held for trading	Loans and receivables	Investments held to maturity	Available-for-sale financial assets	FVTPL liabilities designated as such on initial recognition	Liabilities at fair value through P&L classified as held for trading	Liabilities at amortised cost	Fair value	Effect on the income statement	Effect on equity
NON-CURRENT ASSETS													
Other receivables	5.e.	15	--	--	15	--	--	--	--	--	15	--	--
Securities	5.f.	21,678	--	--	--	--	21,678	--	--	--	21,678	265	1,194
CURRENT ASSETS													
Other receivables	6.a.	123	--	--	123	--	--	--	--	--	123	--	--
Securities	6.b.	10,006	--	10,006	--	--	--	--	--	--	10,006	199	4
Cash and cash equivalents	6.c.	2,093	--	--	2,093	--	--	--	--	--	2,093	54	--
NON-CURRENT LIABILITIES													
Other borrowings	8.a.	49,834	--	--	--	--	--	--	--	49,834	49,834	(1,622)	--
Other payables	8.b.	35	--	--	--	--	--	--	--	35	35	--	--
CURRENT LIABILITIES													
Bank overdrafts	9.a.	--	--	--	--	--	--	--	--	--	--	(19)	--
Other borrowings	9.b.	--	--	--	--	--	--	--	--	--	--	--	--
Trade payables	9.c.	755	--	--	--	--	--	--	--	755	755	--	--

Additional disclosures

"Other borrowings" in non-current liabilities relate to two floating-rate bank loans maturing at the end of 2018. The carrying amount is considered a reasonable approximation of its fair value.

RISK CATEGORIES - 2016

(in thousands of euro)

	<i>Items</i>	<i>Carrying amount</i>	<i>Liquidity risk</i>	<i>Interest rate risk</i>	<i>Exchange rate risk</i>	<i>Credit risk</i>
NON-CURRENT ASSETS						
Other investments	<i>5.d.</i>	--	--	--	--	--
Other receivables	<i>5.e.</i>	15	--	--	--	15
Securities	<i>5.f.</i>	12,940	--	--	--	12,940
CURRENT ASSETS						
Other receivables	<i>6.a.</i>	261	--	--	--	261
Securities	<i>6.b.</i>	11,265	--	--	--	11,265
Cash and cash equivalents	<i>6.c.</i>	2,430	--	--	--	2,430
NON-CURRENT LIABILITIES						
Other borrowings	<i>8.a.</i>	36,996	36,996	--	--	--
Other payables	<i>8.b.</i>	35	35	--	--	--
CURRENT LIABILITIES						
Bank overdrafts	<i>9.a.</i>	--	--	--	--	--
Other borrowings	<i>9.b.</i>	1,039	1,039	--	--	--
Trade payables	<i>9.c.</i>	--	--	--	--	--

RISK CATEGORIES - 2015

(in thousands of euro)

	<i>Items</i>	<i>Carrying amount</i>	<i>Liquidity risk</i>	<i>Interest rate risk</i>	<i>Exchange rate risk</i>	<i>Credit risk</i>
NON-CURRENT ASSETS						
Other investments	<i>5.d.</i>	--	--	--	--	--
Other receivables	<i>5.e.</i>	15	--	--	--	15
Securities	<i>5.f.</i>	21,678	--	--	--	21,678
CURRENT ASSETS						
Other receivables	<i>6.a.</i>	123	--	--	--	123
Securities	<i>6.b.</i>	10,006	--	--	--	10,006
Cash and cash equivalents	<i>6.c.</i>	2,093	--	--	--	2,093
NON-CURRENT LIABILITIES						
Other borrowings	<i>8.a.</i>	49,834	49,834	--	--	--
Other payables	<i>8.b.</i>	35	35	--	--	--
CURRENT LIABILITIES						
Bank overdrafts	<i>9.a.</i>	--	--	--	--	--
Other borrowings	<i>9.b.</i>	--	--	--	--	--
Trade payables	<i>9.c.</i>	755	755	--	--	--

CREDIT RISK - 2016

(in thousands of euro)

Position at 31 December 2016	Items	Total receivables	Not yet due	Past due by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Past due negotiated	Write-downs
Other non-current equity investments	<i>5.d.</i>									
Fair value		953	953	--	--	--	--	--	--	--
Provision for write-downs		(953)	(953)	--	--	--	--	--	--	--
Other non-current receivables	<i>5.e.</i>									
Gross receivable		15	15	--	--	--	--	--	--	--
Provision for write-downs		--	--	--	--	--	--	--	--	--
Other current receivables	<i>6.a.</i>									
Gross receivable		261	261	--	--	--	--	--	--	--
Provision for write-downs		--	--	--	--	--	--	--	--	--
Total		276	276	--	--	--	--	--	--	--

CREDIT RISK - 2015

(in thousands of euro)

Position at 31 December 2015	Items	Total receivables	Not yet due	Past due by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Past due negotiated	Write-downs
Other non-current equity investments	<i>5.d.</i>									
Fair value		953	953	--	--	--	--	--	--	--
Provision for write-downs		(953)	(953)	--	--	--	--	--	--	--
Other non-current receivables	<i>5.e.</i>									
Gross receivable		15	15	--	--	--	--	--	--	--
Provision for write-downs		--	--	--	--	--	--	--	--	--
Other current receivables	<i>6.a.</i>									
Gross receivable		123	123	--	--	--	--	--	--	--
Provision for write-downs		--	--	--	--	--	--	--	--	--
Total		138	138	--	--	--	--	--	--	--

LIQUIDITY RISK - 2016

(in thousands of euro)

	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>5 years	Total
Derivative financial liabilities	--	--	--	--	--	--	--
Non derivative financial liabilities							
Non-current liabilities							
Other borrowings	--	36,996	--	--	--	--	36,996
Other payables	--	--	--	--	--	35	35
Current liabilities							
Trade payables	1,039	--	--	--	--	--	1,039
Total	1,039	36,996	--	--	--	35	38,070

Given the special nature of the credit facility, "other borrowings" shows the carrying amount which is taken to represent liquidity risk. At present, significant changes in the interest rate applied cannot reasonably be foreseeable.

LIQUIDITY RISK - 2015

(in thousands of euro)

	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>5 years	Total
Derivative financial liabilities	--	--	--	--	--	--	--
Non derivative financial liabilities							
Non-current liabilities							
Other borrowings	--	--	49,834	--	--	--	49,834
Other payables	--	--	--	--	--	35	35
Current liabilities							
Other borrowings	--	--	--	--	--	--	--
Trade payables	755	--	--	--	--	--	755
Total	755	--	49,834	--	--	35	50,624

Given the special nature of the credit facility, "other borrowings" shows the carrying amount which is taken to represent liquidity risk. At present, significant changes in the interest rate applied cannot reasonably be foreseeable.

GUARANTEES AND COMMITMENTS

For the loan maturing in December 2018, CIR shares with a total carrying amount of € 335,278,154 have been pledged to the lending bank.

MANAGEMENT AND COORDINATION ACTIVITY

Cofide is subject to management and coordination by F.Ili De Benedetti S.p.A.

In accordance with art. 2497-bis of the Italian Civil Code, Attachment 2 provides a summary of the key figures from the latest approved financial statements of the company exercising management and coordination.

EQUITY - Possible use and distribution*(in euro)*

Type	Amount	Possible use	Amount available
Share capital	359,604,959	=	=
Capital reserves:			
Share premium reserve	5,044,115	A, B	5,044,115
Merger surplus	42,975	A, B, C	42,975
Earnings reserves:			
Legal reserve	22,643,845	B	=
Retained earnings	19,804,941	A, B, C	19,804,941
Recovery of historical cost of investments	133,069,943	A, B, C	133,069,943
IAS FTA reserve	243,375	A, B, C	243,375
Fair value reserve	2,975,413	=	=
TOTAL			158,205,349
Non-distributable portion:			
Share premium reserve, as the legal reserve has not yet reached one-fifth of the share capital (art. 2431 Civil Code)			(5,044,115)
Distributable balance			153,161,234

KEY:

Possible use:

A: for capital increases

B: to cover losses

C: for distribution to shareholders

SUMMARY OF KEY FIGURES FROM THE LATEST FINANCIAL STATEMENTS OF THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION

The key figures from the financial statements of F.lli De Benedetti S.p.A. at 31 December 2015 are as follows:

(in euro)

STATEMENT OF FINANCIAL POSITION

ASSETS	
B) Fixed assets	245,309,618
C) Current assets	122,222
Total assets	245,431,840
LIABILITIES	
A) EQUITY	
Share capital	170,820,000
Reserves	12,840,460
Net income (loss) for the year	(2,187,310)
D) PAYABLES	63,958,690
Total liabilities	245,431,840

INCOME STATEMENT

B) Costs of production	(310,614)
C) Financial income and (expense)	(1,876,720)
D) Extraordinary income and (expense)	24
Income taxes for the year	--
Net income (loss) for the year	(2,187,310)

Separate financial statements of the direct subsidiary
at 31 December 2016

CIR S.p.A.

STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS		%(**)	31.12.2016		%(**)	31.12.2015
NON-CURRENT ASSETS			968,605,454			999,669,642
INTANGIBLE ASSETS			75,078			75,054
TANGIBLE ASSETS			1,855,132			1,831,677
INVESTMENT PROPERTY			14,474,109			14,923,851
EQUITY INVESTMENTS			809,157,250			896,131,076
OTHER RECEIVABLES			127,318,750			80,213,909
<i>of which with related parties (*)</i>	126,634,186	99.5		79,694,486	99.4	
SECURITIES			13,300,000			--
DEFERRED TAXES			2,425,135			6,494,075
CURRENT ASSETS			60,174,516			60,970,785
OTHER RECEIVABLES			45,883,610			38,584,550
<i>of which with related parties (*)</i>	28,275,924	61.6		21,377,713	55.4	
CASH AND CASH EQUIVALENTS			14,290,906			22,386,235
TOTAL ASSETS			1,028,779,970			1,060,640,427
LIABILITIES AND EQUITY						
EQUITY			978,051,532			1,008,152,042
SHARE CAPITAL ISSUED			397,146,184			397,146,184
less TREASURY SHARES			(64,283,589)			(54,210,969)
SHARE CAPITAL			332,862,595			342,935,215
RESERVES			402,559,675			391,952,558
RETAINED EARNINGS (LOSSES)			228,398,685			281,654,376
NET INCOME (LOSS) FOR THE YEAR			14,230,577			(8,390,107)
NON-CURRENT LIABILITIES			2,053,619			1,026,000
DEFERRED TAXES			792,000			--
PERSONNEL PROVISIONS			1,261,619			1,026,000
CURRENT LIABILITIES			48,674,819			51,462,385
BANK OVERDRAFTS			24			19
OTHER PAYABLES			36,630,082			39,417,653
<i>of which to related parties (*)</i>	32,446,441	88.6		30,328,905	76.9	
PROVISIONS FOR RISKS AND LOSSES			12,044,713			12,044,713
TOTAL LIABILITIES AND EQUITY			1,028,779,970			1,060,640,427

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

(**) Percentage of the whole

CIR SPA

INCOME STATEMENT

(in euro)

	%(**)		2016	%(**)		2015
SUNDRY REVENUES AND INCOME			3,801,362			3,654,228
<i>of which sundry revenues and income with related parties (*)</i>	1,905,199	50.1		2,697,849	73.8	
COSTS FOR SERVICES			(9,119,016)			(6,163,163)
<i>of which from related parties (*)</i>	(49,375)	0.5		(280,000)	4.5	
PERSONNEL COSTS			(5,557,278)			(5,395,208)
<i>of which from related parties (*)</i>	(30,704)	0.6		(13,729)	0.3	
OTHER OPERATING EXPENSE			(1,752,209)			(2,943,878)
<i>of which with related parties (*)</i>	(54,422)	3.1		(1,219,762)	41.4	
AMORTISATION, DEPRECIATION & WRITE-DOWNS			(648,305)			(640,734)
EBIT			(13,275,446)			(11,488,755)
FINANCIAL INCOME			1,783,230			3,745,447
<i>of which with related parties (*)</i>	1,752,754	98.3		3,601,247	96.1	
FINANCIAL EXPENSE			(59,084)			(19,670)
DIVIDENDS			23,170,023			9,907,024
<i>of which from related parties (*)</i>	21,420,743	92.5		9,702,864	97.9	
GAINS FROM TRADING SECURITIES			1			--
LOSSES FROM TRADING SECURITIES			(514,198)			(57,564)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			(1,009,080)			(10,722,214)
INCOME (LOSS) BEFORE TAXES			10,095,446			(8,635,732)
INCOME TAXES			4,135,131			1,245,625
INCOME (LOSS) AFTER TAXES FROM OPERATING ACTIVITY			14,230,577			(7,390,107)
INCOME/(LOSS) FROM ASSETS HELD FOR SALE			--			(1,000,000)
NET INCOME (LOSS) FOR THE YEAR			14,230,577			(8,390,107)
BASIC EARNINGS (LOSS) PER SHARE (in euro)			0.0212			(0.0118)
DILUTED EARNINGS (LOSS) PER SHARE (in euro)			0.0212			(0.0118)

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

(**) Percentage of the whole

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS
PURSUANT TO ART. 154 BIS OF D.LGS 58/98

1. The undersigned, Rodolfo De Benedetti, the Chairman, and Giuseppe Gianoglio, the executive responsible for the preparation of the financial statements of Cofide S.p.A., hereby certify, also taking into account the provisions of art. 154 -bis, paragraphs 3 and 4, of Legislative Decree 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 financial statements during the course of 2016.
2. In this respect, no significant issues have arisen which need to be reported.
3. We also certify that the separate financial statements:
 - 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 report on operations 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, 13 March 2017

Signed by

Rodolfo De Benedetti
Chairman

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

LIST OF EQUITY INVESTMENTS

AT 31 DECEMBER 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 Companies	% of ownership
COFIDE GROUP					
CIR S.p.A. (*)	Italy	397,146,183.50	€	COFIDE S.p.A.	45.80
CIR GROUP					
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 liquidation)	Switzerland	3,695,000.00	Chf	CIR S.p.A.	94.59
GRUPPO ESPRESSO					
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
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	25,000,000.00	€	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
GRUPPO SOGEFI					
SOGEFI S.p.A. (***)	Italy	62,065,356.60	€	CIR S.p.A.	55.68
SOGEFI ITALY S.p.A. (formerly SOGEFI REJINA S.p.A.)	Italy	21,978,316.00	€	SOGEFI S.p.A.	99.88
SOGEFI FILTRATION FRANCE S.A. (formerly FILTRAUTO S.A.)	France	94,522,280.00	€	SOGEFI S.p.A.	99.99998
SOGEFI FILTRATION Ltd	UK	5,126,737.00	£GBP	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION SPAIN S.A. (formerly SOGEFI FILTRATION S.A.)	Spain	14,249,084.96	€	SOGEFI FILTRATION FRANCE S.A.	100.00
SOGEFI FILTRATION d.o.o.	Slovenia	10,291,798.00	€	SOGEFI S.p.A.	100.00
SOGEFI SUSPENSIONS FRANCE S.A. (formerly ALLEVARD REJNA AUTOSUSPENSIONS S.A.)	France	34,000,000.00	€	SOGEFI S.p.A.	99.998
SOGEFI GESTION S.A.S. (formerly SOGEFI PURCHASING S.A.S.)	France	100,000.00	€	SOGEFI S.p.A.	100.00
ALLEVARD SOGEFI U.S.A. Inc.	United States	20,055,000.00	\$USA	SOGEFI S.p.A.	100.00
SOGEFI AIR & REFROIDISSEMENT FRANCE S.A.S. (formerly SYSTÈMES MOTEURS S.A.S.)	France	54,938,125.00	€	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION DO BRASIL Ltda	Brazil	68,069,274.00	Real	SOGEFI FILTRATION FRANCE S.A. SOGEFI FILTRATION SPAIN S.A. ALLEVARD MOLAS DO BRAZIL Ltda	78.8342476 21.1657509 0.0000015
					100.00
SOGEFI FILTRATION ARGENTINA S.A.	Argentina	57,235,407.00	Pesos	SOGEFI FILTRATION FRANCE S.A. SOGEFI ITALY S.p.A.	99.424 0.576
					99.999
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

(*) 54.64 % net of own shares held as treasury stock

(in euro or foreign currency)

Name of Company	Registered office	Share capital	Currency	Parent Companies	% of ownership
ALLEVARD SPRINGS Ltd	UK	4,000,002.00	£GBP	SOGEFI SUSPENSIONS FRANCE S.A.	100.00
SOGEFI PC SUSPENSIONS GERMANY GmbH (formerly ALLEVARD FEDERN GmbH)	Germany	50,000.00	€	SOGEFI SUSPENSIONS FRANCE S.A.	100.00
SOGEFI SUSPENSION ARGENTINA S.A. (formerly 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.	99.997
				ALLEVARD SPRINGS Co. Ltd	0.003
					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	€	SOGEFI PC SUSPENSIONS GERMANY 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	352,000,000.00	Inr	SOGEFI SUSPENSIONS FRANCE S.A.	74.23
SOGEFI AIR & COOLING CANADA CORP. (formerly SOGEFI ENGINE SYSTEMS CANADA CORP.)	Canada	9,393,000.00	Cad	SOGEFI AIR & REFROIDISSEMENT FRANCE S.A.S.	100.00
SOGEFI AIR & COOLING USA Inc. (formerly 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	20,003,000.00	Mxn	SOGEFI AIR & COOLING CANADA CORP.	99.999995
				SOGEFI AIR & REFROIDISSEMENT FRANCE S.A.S.	0.000005
					100.00
S.C. SOGEFI AIR & COOLING (formerly 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

(**) 56.52 % net of own shares held as treasury stock

(***) 57.06 % net of own shares held as treasury stock

(in euro or foreign currency)

Name of Company	Registered office	Share capital	Currency	Parent Companies	% of ownership
GRUPPO KOS					
KOS S.p.A.	Italy	8,848,103.70	€	CIR S.p.A.	59.53
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	5,997.00	£GBP	MEDIPASS S.r.l.	96.00
CLEARMEDI HEALTHCARE LTD	India	10,717,240.00	INr	MEDIPASS S.r.l.	73.08
				CLEARVIEW HEALTHCARE LTD	26.92
					100.00
MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	UK	1,000.00	£GBP	MEDIPASS HEALTHCARE LTD	100.00
MEDIPASS LEEDS LTD (formerly HTI LEEDS)	UK	2.00	£GBP	MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	100.00
MEDIPASS BELFAST LTD (formerly 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	India	4,661,880.00	INr	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
VILLA JOLANDA S.r.l.	Italy	50,000.00	€	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)

Name of Company	Registered office	Share capital	Currency	Parent Companies	% of ownership
GRUPPO CIR					
DEVIL PEAK S.r.l.	Italy	69,659.00	€	NEXENTI S.r.l.	36.16
GRUPPO ESPRESSO					
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
GRUPPO SOGEFI					
MARK IV ASSET (Shanghai) AUTO PARTS Co. Ltd	China	10,000,000.00	Rmb	SOGEFI ENGINE SYSTEMS HONG KONG Ltd	50.00
GRUPPO CIR INTERNATIONAL					
KTP GLOBAL FINANCE S.C.A.	Luxembourg	566,573.75	€	CIR INTERNATIONAL S.A.	47.55
GRUPPO KOS					
APOKOS REHAB PVT Ltd	India	169,500,000.00	Inr	KOS S.p.A.	50.00

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

CONSOLIDATED AT COST (*)

(in euro or foreign currency)

Name of Company	Registered office	Share capital	Currency	Parent Companies	% of ownership
GRUPPO ESPRESSO					
ENOTRYA S.r.l. (in liquidation)	Italy	75,000.00	€	ELEMEDIA S.p.A.	70.00
CELLULARMANIA.COM S.r.l. (in liquidation)	Italy	10,400.00	€	ELEMEDIA S.p.A.	100.00
KSOLUTIONS S.r.l. (in liquidation)	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. (in liquidation)	Italy	250,000.00	€	A. MANZONI & C. S.p.A.	20.00
GRUPPO KOS					
OSIMO SALUTE S.p.A.	Italy	750,000.00	€	ABITARE IL TEMPO S.r.l.	25.50
GRUPPO CIR INTERNATIONAL					
KTP GLOBAL FINANCE MANAGEMENT S.A.	Luxembourg	31,000.00	€	CIR INTERNATIONAL S.A.	46.00

(*) Investments which are non-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 Companies	% of ownership
GRUPPO ESPRESSO					
AGENZIA A.N.S.A. S. COOP. a.r.l.	Italy	10,783,361.63	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A. FINEGIL EDITORIALE S.p.A.	3.68 13.24 16.91
CONSULEDIT S. CONSORTILE a.r.l. (in liquidation)	Italy	20,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A. FINEGIL EDITORIALE S.p.A.	6.64 5.48 12.12
IMMOBILIARE EDITORI GIORNALI S.r.l.	Italy	830,462.00	€	FINEGIL EDITORIALE S.p.A.	0.12
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 liquidation)	Italy	258,000.00	€	A. MANZONI & C. S.p.A.	7.50
PRESTO TECHNOLOGIES Inc. (non operating)	United States	7,663,998.40	\$USA	ELEMEDIA S.p.A.	7.83
D-SHARE S.r.l.	Italy	110,950.02	€	ELEMEDIA S.p.A.	10.96
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
GRUPPO SOGEFI					
AFICO FILTERS S.A.E.	Egypt	14,000,000.00	EGP	SOGEFI ITALY S.p.A.	17.77
GRUPPO KOS					
FONDO SPAZIO SANITÀ	Italy	59,200,000.00	€	IST. DI RIABILITAZIONE S. STEFANO S.r.l. RESIDENZE ANNI AZZURRI S.r.l.	0.68 0.84 1.52

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 Companies</i>	<i>% of ownership</i>
------------------------	------------------------------	--------------------------	-----------------	-----------------------------	---------------------------

GRUPPO CIR

FINAL S.A. <i>(in liquidation)</i>	France	2,324,847.00	€	CIGA LUXEMBOURG S.à.r.l.	47.73
------------------------------------	--------	--------------	---	--------------------------	-------

GRUPPO CIR INTERNATIONAL

FOOD CONCEPTS HOLDING SA <i>(in liquidation)</i>	Luxembourg	5,540,513.00	€	CIR INTERNATIONAL S.A.	19.00
--	------------	--------------	---	------------------------	-------

REPORT OF THE BOARD OF STATUTORY AUDITORS

COFIDE S.p.A

REPORT OF THE BOARD OF STATUTORY AUDITORS IN ACCORDANCE WITH ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/1998

To the Shareholders of COFIDE S.p.A,

During the year ended 31 December 2016 we performed the monitoring activities required of us by the applicable laws and regulations, in accordance with the Principles of Conduct for Statutory Auditors recommended by the National Council of Business Consultants and Accountants and the guidelines of the Code of Conduct issued by the Corporate Governance Committee of Borsa Italiana S.p.A. In preparing this report, we took account of the above and of the recommendations made by Consob on the matter.

The directors have informed you, in the report on operations and the explanatory notes accompanying the financial statements, about the most significant transactions that took place during the year and subsequent to year end.

Given all of the above, having regard for the manner in which the activities for which it is responsible were performed during the year, the members of the Board of Statutory Auditors confirm that:

we attended all Meetings held during the year of the Shareholders and the Board of Directors. We obtained from the Directors timely and full information on operations and on the more significant transactions from an economic and financial point of view entered into by the Company and its subsidiaries, in accordance with the law and the articles of association; one or more of us attended all meetings of the Audit and Risk Committee, the Related Party Transactions Committee and of the Nominations and Remuneration Committee;

we obtained the knowledge required to carry out our duties regarding compliance with the law and the articles of association, respect for the principles of sound administration and the adequacy of the Company's organisational structure through direct investigation, collecting data and information from the heads of department involved and from an exchange of key data and information with the independent auditors;

we exercised the functions of the Board of Statutory Auditors which art. 19 of Legislative Decree no. 39/2010 identifies as those of the *"Internal Control and Audit Committee"*;

pursuant to Decree no. 39/2010, we carried out the surveillance activities indicated therein with reference to the financial reporting process, the effectiveness of internal control systems, risk management, the internal audit, the legal audit of annual and consolidated accounts and the independence of the firm carrying out the legal audit, by means of direct investigations, obtaining information from the heads of department, and analysing the results of the work carried out by the independent auditors; as a consequence, we received the results of the auditors' quarterly checks that the accounts were being kept correctly, we received from the

auditors the reports provided by art. 14 and art. 19, paragraph 3, of Legislative Decree no. 39/2010, the "*Annual confirmation of their independence*" pursuant to art. 17, paragraph 9, letter a) of Legislative Decree no. 39/2010 and we analysed, in accordance with art. 17, paragraph 9, letter b) of Legislative Decree no. 39/2010, the risks relating to the independence of the audit firm and the measures taken by it to limit such risks;

pursuant to art. 149, paragraph 1. lett. d) of TUF, we monitored the effectiveness of the internal control system on subsidiaries and the adequacy of the instructions given to them, also in terms of art. 114, paragraph 2, of Legislative Decree no. 58/1998. we checked that the rules of corporate governance foreseen in the Code of Conduct for Listed Companies issued by Borsa Italiana S.p.A. were being put into practice by the Company;

we supervised compliance with the procedure for the Company's related party transactions with the principles contained in the Consob Regulations approved by resolution no. 17221 of 12 March 2010 and subsequent amendments, as well as compliance with the procedure itself; we checked that the supervisory bodies of the company's subsidiaries did not have any significant matters to communicate;

- we checked that the provisions of current law and regulations were being complied with in the preparation and format of the separate and consolidated financial statements, including all accompanying documents, which include, among other things, the information referred to in the regulations issued jointly by the Bank of Italy, Consob and Isvap;
- we verified that the procedures performed to test whether any assets had suffered impairment were adequate from a methodological viewpoint;
- we verified that the Report on Operations for the year complies with current laws and regulations and is consistent with the resolutions adopted by the Board of Directors.

During the course of our monitoring activities, carried out as explained above, no significant facts emerged requiring notification to the Supervisory Bodies nor do we have any proposals to make regarding the financial statements, their approval or any other matters relating to our mandate.

* * *

The specific indications that this report has to provide are listed below, in accordance with Consob Communiqué of 6 April 2001 and subsequent updates.

- We obtained sufficient information on the more significant transactions from an economic and financial viewpoint entered into by the Company and subsidiaries, checking that they were in accordance with the law and the articles of association; the Directors have made adequate disclosures about these transactions in the report on operations; we also obtained information and ensured that the transactions approved

and/or put in place were not clearly imprudent, rash, in contrast with resolutions adopted, in potential conflict of interest or in any way likely to compromise the integrity of the Company's assets.

- Adequate information was given to us regarding intercompany and related-party transactions. Based on the information gathered, we ascertained that these transactions complied with the law and with the articles of association, were in the interests of the Company and did not give rise to any doubts as to the correctness and completeness of the information given in the financial statements, the existence of situations of conflict of interest, the protection of the Company's assets or the safeguarding of minority shareholders; the periodic checks and controls carried out in the Company offices did not reveal that any atypical and/or unusual transactions had been carried out.
- In the report on operations, the Directors have given adequate information on the main transactions entered into between COFIDE S.p.A., the companies belonging to the Group and/or related parties, stating that these transactions took place at "arm's-length" (i.e. normal market) conditions, also considering the quality and type of services provided; the documents accompanying the separate financial statements for 2013 give the appropriate details about the balance sheet and economic effects of such transactions.
- Today, Deloitte & Touche S.p.A. issued its audit reports on the separate and consolidated financial statements for the year ended 31 December 2016, including their opinion regarding their consistency as required by art. 14, paragraph 2, letter e) of Legislative Decree no. 39/2010, without any objections or highlighting any particular matters.
- The report on the "key matters" identified during the legal audit and any "significant weaknesses" identified in the system of internal control governing the financial reporting process, prepared by the auditing firm pursuant to art. 19, para. 3, of Legislative Decree no. 39/2010 and communicated and analysed by the Board of Statutory Auditors, does not highlight significant weaknesses.
- During 2016, we did not receive any complaints pursuant to art. 2408 of the Italian Civil Code.
- During the year ended 31 December 2016, COFIDE S.p.A. engaged the independent auditors to carry out non-audit services relating to verification activities with a view to issuing certificates, for fees totalling Euro 2,000. During the same year, the subsidiaries engaged the independent auditors to carry out non-audit services involving verification activities with a view to issuing certificates, for fees totalling Euro 247,000 and other services, for fees totalling Euro 3,000. In addition, in the same period, the subsidiaries also appointed entities belonging to the audit firm network to

perform services for fees totalling Euro 169,000. These fees are appropriate for the size and complexity of the work performed and do not appear to be of such a size as to affect the independence and autonomy of the auditors in carrying out their audit functions;

- During the year, we issued opinions in accordance with art. 2389 of the Civil Code.
- During 2016, the Board of Directors met 7 times, the Audit and Risk Committee 5 times and the Appointments and Compensation Committee 2 times, while the Related Party Transactions Committee met 3 times; the Board of Statutory Auditors met 13 times during the year.
- We have no particular observations to make concerning compliance with the principles of correct administration, because these appear to have been constantly observed, or concerning the adequacy of the organisational structure, which we found to be suitable to meet the operating, managerial and control needs of the Company.
- The system of internal control appeared to be adequate for the size and type of operations of the Company, as we also ascertained at meetings of the Audit and Risk Committee, all of which were attended by a member of the Board of Statutory Auditors.
- We have no observations to make regarding the adequacy of the administrative and accounting system or its reliability to represent operating events correctly; as regards the accounting information presented in the separate and consolidated financial statements for the year ended 31 December 2016, it has been certified without any significant matters raised, by the Chairman of the Board of Directors and by the Executive responsible for the preparation of the company's financial statements in accordance with art. 154-bis, paragraph 5 of Legislative Decree no. 58/1998 and art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions.
- We have no observations to make regarding the adequacy of information flows from the subsidiaries to the Parent Company to ensure timely fulfilment of the communication obligations required by law.
- During the regular exchanges of information and data between the Board of Statutory Auditors and the Independent Auditors, no further aspects emerged that need to be highlighted in this report.
- La Società ha aderito in maniera sostanziale alle raccomandazioni contenute nel Codice di Autodisciplina predisposto dal Comitato per la Corporate Governance delle società quotate ed ha illustrato il proprio modello di governo societario nell'apposita Relazione, redatta anche ai sensi dell'art. 123-bis del D. Lgs. n. 58/1998. Per quanto di nostra competenza, abbiamo vigilato sulle modalità di concreta attuazione delle regole

di governo societario previste dal sopra richiamato Codice di Autodisciplina, come adottate dalla Società, curando, fra l'altro, che nella Relazione sul governo societario venissero esposti gli esiti della periodica verifica del Collegio Sindacale in merito alla sussistenza in capo ai Sindaci dei requisiti di indipendenza, determinati in base ai medesimi criteri previsti con riferimento agli Amministratori. La Società, relativamente a quanto statuito dal D. Lgs. n. 231/2001, ha adottato, implementato e tenuto aggiornato un "Modello Organizzativo" di comportamento e regolamentazione dell'attività ed ha provveduto alla costituzione dell'Organismo di Vigilanza previsto dalla normativa, coincidente con i membri del Collegio Sindacale. La Società ha inoltre adottato un Codice Etico di comportamento.

- Our monitoring activities were carried out on a routine basis during 2016 and did not reveal any omissions, facts that could be censured or any irregularities worthy of note.

On completion of the surveillance activity that we carried out during the year, we do not have any proposals to make as per art. 153, paragraph 2, of Legislative Decree no. 58/1998 regarding the separate financial statements at 31 December 2016, on their approval or on any other matter within our area of responsibility, just as we have no observations to make on the allocation of the net profit for the year proposed by the Board of Directors.

We thank you for your confidence in us and remind you that the mandate given to the Statutory Auditors is due to expire. The directors have already taken steps to call a General Meeting for you to pass the necessary resolutions.

Lastly, we would note that for the nine-year legal audit mandate expiring with the approval of these financial statements, the Shareholders' Meeting held in 2016 has already appointed new auditors.

Milan, 5 April 2017

THE BOARD OF STATUTORY AUDITORS

Riccardo Zingales – Chairman of the Board of Statutory Auditors

Antonella Dellatorre – Statutory Auditor

Tiziano Bracco – Statutory Auditor

REPORT OF INDIPENDENT AUDITORS

**INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Shareholders of
COFIDE – GRUPPO DE BENEDETTI S.P.A.**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of COFIDE Group, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the COFIDE Group as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of COFIDE – Gruppo De Benedetti S.p.A., with the consolidated financial statements of the COFIDE Group as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of the COFIDE Group as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, April 5, 2017

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

**INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Shareholders of
COFIDE – GRUPPO DE BENEDETTI S.P.A.**

Report on the Financial Statements

We have audited the accompanying financial statements of COFIDE – Gruppo De Benedetti S.p.A., which comprise the statement of financial position as at December 31, 2016, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of COFIDE – Gruppo De Benedetti S.p.A. as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of COFIDE – De Benedetti S.p.A., with the financial statements of COFIDE – Gruppo De Benedetti S.p.A as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the financial statements of COFIDE – Gruppo De Benedetti S.p.A as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, April 5, 2017

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