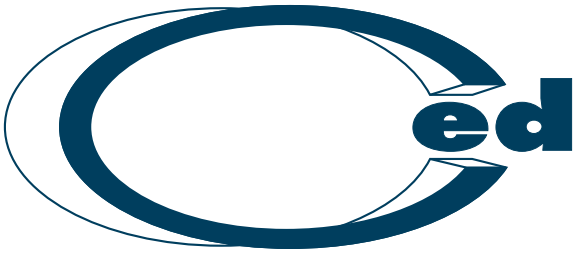
CALTAGIRONE EDITORE

2016 ANNUAL REPORT
SEVENTEENTH FISCAL YEAR



CALTAGIRONE EDITORE

2016 ANNUAL REPORT | SEVENTEENTH FISCAL YEAR

CALTAGIRONE EDITORE SPA

Head office Via Barberini, 28 - 00187 Rome (Italy)
Share capital Euro 125,000,000
Internal Revenue Code and VAT n. 05897851001
Registered with the C.C.I.A.A. of Rome REG 935017

SHAREHOLDERS' MEETING OF APRIL 12TH 2017

AGENDA

1. Presentation of the Separate and Consolidated Financial Statements for the year ended December 31st 2016, together with the Directors' Report, Board of Statutory Auditors' Report and the Independent Auditors' Report; resolutions thereon;

2. Appointment of a Director;

3. Resolutions on the sale and purchase of treasury shares in accordance with Article 2357 of the Civil Code;

4. Remuneration Report in accordance with Article 123-ter paragraph 6 of Legislative Decree 58/98; resolutions thereon.

CORPORATE BOARDS

Board of Directors

CHAIRMAN

Francesco Gaetano Caltagirone

VICE CHAIRMAN

Azzurra Caltagirone

DIRECTORS

Francesco Caltagirone
Alessandro Caltagirone
Tatiana Caltagirone
Massimo Confortini * / **
Mario Delfini *
Albino Majore *
Giampietro Nattino * / **

Board of Statutory Auditors

CHAIRMAN

Antonio Staffa

STANDING AUDITORS

Maria Assunta Coluccia
Federico Malorni

Executive Responsible

Fabrizio Caprara

Independent Audit Firm

PricewaterhouseCoopers SpA

* Members of the Internal Control Committee

** Members of the Independent Directors' Committee

DELEGATED POWERS

In accordance with Consob recommendation No. 97001574 of February 20th 1997 the nature of the powers delegated to the members of the Board of Directors are reported below

Chairman

The Chairman was conferred all ordinary and extraordinary administrative powers with the exception of those reserved by law and the Company By-Laws to the Shareholders' Meeting and to the Board of Directors.

Vice Chairman

In the absence or impediment of the Chairman, the Vice Chairman Azzurra Caltagirone is conferred all ordinary and extraordinary administration powers with the exception of those reserved by law and the Company By-laws to the Shareholders' Meetings and to the Board of Directors.

CONTENTS

DIRECTOR'S REPORT ON THE GROUP RESULTS FOR THE YEAR ENDED DECEMBER 31ST 2016

INTRODUCTION

The present Directors' Report refers to the Consolidated and Separate Financial Statements of Caltagirone Editore SpA (hereafter also "the Group") at December 31st 2016, prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC), approved by the European Commission (hereinafter "IFRS").
The present Report should be read together with the Consolidated and Separate Financial Statements and the relative Notes, which constitute the Annual Accounts for 2016.

FINANCIAL HIGHLIGHTS

The table below illustrates the key financial results for the year 2016 compared to the previous year.

	2016	2015	% Change
Circulation revenues	59,312	64,982	-8.7%
Advertising revenues	87,108	91,271	-4.6%
Promotions revenues	602	632	-4.7%
Other Operating Revenues	5,325	6,148	-13.4%
TOTAL OPERATING REVENUES	**152,347**	**163,033**	**-6.6%**
Raw materials, supplies and consumable stores	(14,674)	(15,682)	6.4%
Labour costs	(69,788)	(72,890)	4.3%
Other operating costs	(69,806)	(71,327)	2.1%
TOTAL OPERATING COSTS	**(154,268)**	**(159,899)**	**3.5%**
EBITDA	**(1,921)**	**3,134**	**na**
Amortisation, depreciation, provisions & write-downs	(54,384)	(31,085)	-75.0%
EBIT	**(56,305)**	**(27,951)**	**-101.3%**
Share of income/(charges) valued at equity	**-**	**-**	**-**
Financial income	5,435	10,713	-49.3%
Financial expenses	(13,795)	(2,032)	na
Net financial income/(expenses)	**(8,360)**	**8,681**	**na**
LOSS BEFORE TAXES	**(64,665)**	**(19,270)**	**na**
Income taxes	2,226	(861)	na
LOSS BEFORE MINORITY SHARE	**(62,439)**	**(20,131)**	**na**
Minority interest	-	-	na
GROUP NET LOSS	**(62,439)**	**(20,131)**	**na**

Euro thousands

In 2016, the Group reported Operating Revenues of Euro 152.3 million, reducing 6.6%, following a contraction in circulation revenues (-8.7%) and advertising revenues (-4.6%). The figures have been impacted by non-publication of the Group newspapers following the strike by printing staff, related to the spin-off and restructuring operations of group companies.
Raw material costs decreased 6.4% - principally due to the lower quantities utilised in the production process.
Labour costs, including non-recurring charges of Euro 4.5 million (Euro 1.6 million in 2015) mainly related to the reorganisation plans put in place by a number of group

companies, reduced 4.3%. On a like-for-like basis, excluding these extraordinary charges, labour costs decreased by approx. 8.4% on the previous year.
Other operating costs decreased overall 2.1% due to the group's reorganisation process by functional area, which generated a number of cost savings - in particular for service costs.
EBITDA in 2016, penalised by non-recurring labour costs, reports a loss of Euro 1.9 million (profit of Euro 3.1 million in 2015); excluding these extraordinary costs, the EBITDA would have been a profit of Euro 2.6 million due to the overall reduction in operating costs.
EBIT reports a loss of Euro 56.3 million (loss of Euro 27.9 million in 2015) and includes the write-down of indefinite life intangible assets for a total of Euro 45.4 million (Euro 22 million in 2015), amortisation, depreciation and risk provisions for Euro 7.1 million and the write-down of receivables for Euro 1.8 million.
Net financial charges of Euro 8.4 million (income of Euro 8.7 million in 2015), was mainly affected by the losses from the sale on the market of listed shares for approx. Euro 12.3 million net of dividends on listed shares in the period for approx. Euro 4.9 million (Euro 4.3 million in 2015).
The Group net loss was Euro 62.4 million (loss of Euro 20.1 million in 2015).

NET CASH POSITION

The Group Cash Financial Position at December 31st 2016 is as follows:

	31.12.2016	31.12.2015
Current financial assets	-	-
Cash and cash equivalents	151,030	157,813
Non-current financial liabilities	(3,066)	(8,306)
Current financial liabilities	(13,534)	(26,517)
Net Cash Position *	**134,430**	**122,990**

Euro thousands

** The Net Cash Position in accordance with CESR recommendation of February 10th 2005 is illustrated at Note 28 of the Notes to Consolidated Financial Statements*

The Net Cash Position increased approx. Euro 11.4 million mainly due to the sale on the market of listed shares (Euro 16.6 million), net of operating requirements.

SHAREHOLDERS' EQUITY

The Group Consolidated shareholders' equity decreased from Euro 559.9 million at December 31st 2015 to Euro 472.3 million at December 31st 2016; the decrease is due to the loss in the year and the fair value measurement of listed shares held by the Group.

The balance sheet and income statement ratios are provided below:

	2016	2015
ROE* *(Net Result/Net Equity)***	(13.2)	(3.6)
ROI* *(EBIT/total assets)***	(8.9)	(3.8)
ROS* *(EBIT/Operating Revenues)***	(36.9)	(17.1)
Equity Ratio *(Net equity/total assets)*	0.75	0.76
Liquidity Ratio *(Current assets/ Current liabilities)*	3.17	2.75
Capital Invested Ratio *(Net equity/Non-current assets)*	1.12	1.08

** Percentage values*

*** For definitions of "Net Result" and "EBIT", reference should be made to the income statement attached to the present report*

The balance sheet indicators confirm the Group's financial equilibrium, with strong stability, the capacity to meet short-term commitments through liquid funds and finally equilibrium between own funds and fixed assets.
The income statement indicators (ROE, ROI and ROS) report compared to the previous year a decrease in profitability, mainly due to the write-downs on indefinite intangible assets and the loss reported on financial items.

GROUP OPERATING PERFORMANCE

PUBLISHING

Circulation revenues of Euro 59.3 million reduced 8.7% in 2016 compared to 2015, due to the ongoing structural shifts impacting the market. In particular, Group paper circulation revenues amounted to Euro 57.4 million (down 9.2%), due to the contraction in demand and, as already described, the lower number of newspaper publication days following strikes, as well as the reorganisation of the combined sales of the Messaggero/Corriere Adriatico newspapers in the Marche region which, net of this effect, would have reported a decrease of 7.6%.
Revenues from the sale of Group online copies and subscriptions increased 8.1% on 2015, although the volume of sales is still not significant and their impact on Group circulation revenues is still marginal (3.2% of publishing revenues).
The latest available circulation data[1] indicates a reduction of approx. 9.82% in paper copies alone and an overall reduction including digital copies of 9.38% in 2016 compared to 2015.

1. Workings on ADS figures (Accertamento Diffusione Stampa): average circulation 2016 - 2015.

ADVERTISING

In 2016, total Group advertising revenues decreased 4.6%.
Advertising on paper editions considering also advertising on behalf of third parties contracted 5.9% compared to 2015 due to the general market difficulties and lower publication days due to strikes.
Internet advertising, considering also advertising on behalf of third parties, reported an increase of 4.9% compared to 2015. It is noted that the contribution of this sector to overall Group advertising revenues increased to approx. 13.4% of total advertising revenues.
In 2016, advertising revenues on behalf of the RCS Group reached 5.9% of total advertising revenue.
The overall advertising market contracted 6.7%[2] for the paper editions and 2.3%[3] for Internet advertising.
For internet activities, the websites of the Caltagirone Editore network reported approx. 1.03 million[4] Total Audience unique daily users (PC and mobile) in 2016.
In addition, an increase in average unique monthly browsers navigating the Caltagirone Editore network[5] websites is reported and numbered 13.8 million for Messaggero (+6.1%), 8.2 million for Leggo (-13.9%), 8.5 million for Mattino (+7.3%), 5.7 million for Gazzettino (+45.8%), 1.7 million for Corriere Adriatico (49.5%) and 615 thousand for Nuovo Quotidiano di Puglia (+43.9%).
We highlight the good results of Corriere Adriatico in terms of circulation revenues and advertising revenues following the newspapers` restructuring launched in the initial months of 2016.

RISK MANAGEMENT

The activities of Caltagirone Editore and its subsidiaries are subject to various financial risks: market risks (raw materials prices and the movements in listed equities held in portfolio), credit risk, exchange rate risk, interest rate risk and liquidity risk. The management of financial risks is undertaken through organisational directives which govern the management of these risks and the control of all operations which have importance in the composition of the financial and/or commercial assets and liabilities.
The Group does not have any derivative financial instruments, nor do specific financial risks exist in relation to price, credit or liquidity (other than that deriving from operating activities).

Market risk (price of raw materials - paper)
The Group is exposed to fluctuations in the price of paper - the principal raw material; this risk is managed through supply contracts with Italian and foreign companies with fixed prices and quantities for a maximum period of approximately 12 months, and through procurement from suppliers based in different geographic areas in order to avoid the risks related to an excessive concentration of suppliers and to obtain the most competitively priced supplies.

2. FCP Newspaper Research Institute figures - January/December 2016 compared with January/December 2015.
3. FCP Assointernet Research Institute figures - January/December 2016 compared with January/December 2015.
4. Audiweb Total Audience Figures January - December 2016 (including TAL).
5. Webtrekk internal figures January - December 2016 / January - December 2015.

Price risk of the equity shareholdings

In relation to the risk of changes in the fair value of the equity shareholdings held as available for sale, the Group monitors the changes of share prices and for this reason constantly records the movements in the listed shares in portfolio. Based on this data, the investment and divestment policies of the Group are defined with the objective to optimise medium and long-term cash flows, also considering the distribution of dividends from the shares in portfolio. The investment and divestment strategies of the equity investments are also considered in relation to the diversification of risk.

Credit risk

Receivables at year-end principally are of a commercial nature. In general, they are recorded net of any write-downs, calculated on the basis of the risk of non-fulfilment by the counterparty, determined considering the information available on the clients' solvency and historical insolvency data in relation to the varying expiry dates of receivables. Historically, there are no significant situations which are particularly problematic in relation to the solvency of the clients, as the policy of the Group is only to sell to clients after a prudent evaluation of their credit capacity and therefore within the established credit limits. Finally, no significant debtor positions were recorded which would equate to an excessive concentration of credit. On this basis, the credit risk to which the Group is exposed can be considered limited.

Currency risk

The Group had no currency risk exposure at December 31st 2016 as operating only in the Eurozone.

Interest rate risk

The interest rate risk relates to an uncontrolled increase of the charges deriving from variable interest rates on medium/long-term loans of Group companies. The interest rate risk to which the Group is exposed is considered limited in that the loans undertaken are contracted in Euro, which currently presents low interest rates following the monetary policies adopted by the central banks to counter the recession. In addition it should be considered that the variable interest rate loans mature in 2018.

Liquidity risk

Liquidity risk is linked to the difficulty in obtaining funds to cover commitments at a given moment. The Caltagirone Editore Group has access to its own liquidity which is in the form of short-term deposits and therefore easily accessible and highly liquid. This risk therefore is not significant for the Group.

Environment and security risk

Existing regulations and laws are rigorously applied to workplace health and security and hence govern this area of risk.

PRINCIPAL UNCERTAINTIES AND GOING CONCERN

The current conditions in the financial markets and the real economy do not allow accurate evaluations of the short-term outlook. This situation does not cause concern in relation to the going concern principle in that the Group, as previously highlighted, relies on its own funds and no uncertainties exist that could compromise the capacity of the Group to carry out its operating activities.

OTHER INFORMATION

During the year, the Companies of the Caltagirone Group did not carry out any research and development activity.

At December 31st 2016, there were 746 employees (801 at December 31st 2015), with an average number in 2016 of 753 (819 in 2015).

For segment information on the costs, revenues and investments, reference should be made to the notes to the consolidated financial statements.

The reconciliation of the shareholders' equity and net profit of the Group and of the Parent Company as per Consob Communication No. 6064293 of 28/07/2006 is attached to the present report.

OUTLOOK

The reorganisation, started in the previous year, for the group's structuring by functional area has not yet finished and, once fully operational, will support the group's financial equilibrium.

The Group has maintained the initiatives targeting the growth of multi-media editions and an improved internet presence in order to expand new advertising streams and acquire new readers.

PARENT COMPANY OVERVIEW

For 2016 Caltagirone Editore SpA reports financial income of Euro 3.6 million and financial charges of Euro 26.8 million, with a net loss of Euro 23.9 million, as shown in the following table which compares the key financial results with the previous year, reclassified in accordance with Consob Communication No. 94001437 of February 23rd 1994:

	2016	2015
Dividends from subsidiaries	690	143
Dividends from other companies	2,527	2,010
Other financial income	390	806
Total financial income	**3,607**	**2,959**
Losses on sale of equity investments	(2,950)	
Interest and financial charges from subsidiaries	(16)	(74)
Interest and financial charges from third parties	(50)	(547)
Write-down of investments in subsidiaries	(23,835)	(14,669)
Write-down of investments in other companies	-	(9)
Total financial charges	**(26,851)**	**(15,299)**
NET FINANCIAL INCOME/(CHARGES)	**(23,244)**	**(12,340)**
Result from operating activities	(1,605)	(2,192)
LOSS BEFORE TAXES	**(24,849)**	**(14,532)**
Income taxes for the year	942	(258)
NET LOSS FOR THE YEAR	**(23,907)**	**(14,790)**

Euro thousands

The dividends from other companies relate to those received on listed shares. Dividends from subsidiaries refer to dividends distributed by the subsidiary CED Digital & Servizi Srl. Other financial income represents the interest income on bank deposits accrued during the year.
The losses mainly refer to the sale on the market of listed shares.
The write-downs of investments in subsidiaries concerns the companies Leggo SpA, Corriere Adriatico SpA, Quotidiano di Puglia SpA, Piemme SpA, Stampa Napoli 2015 Srl, Servizi Italia 15 Srl and Finced Srl and relates to the adjustment of the book value of the investment to the Net Equity, adjusted for any write-backs emerging from the measurement of indefinite intangible assets.
The account interest and financial charges from subsidiaries principally comprises interest on loans received from the subsidiaries Il Messaggero SpA and Quotidiano di Puglia SpA.
The shareholders' equity of the Company at December 31st 2016 was Euro 475 million (Euro 508.5 million at December 31st 2015). The decrease in the year is mainly due to the loss in the year and the measurement at fair value of the investments held in listed companies.

NET CASH POSITION

The net cash position is as follows:

	31.12.2016	31.12.2015
Current financial assets	67,186	48,374
Cash and cash equivalents	122,220	145,500
Current financial liabilities	(2,748)	(7,245)
Net Cash Position *	**186,658**	**186,629**

Euro thousands

** The Net Cash Position in accordance with CESR recommendation of February 10th 2005 is illustrated at Note 20 of the Notes to Financial Statements*

PRINCIPAL EQUITY INVESTMENTS

On March 22th 2016, the companies Stampa Roma 2015 Srl and Stampa Napoli 2015 Srl were incorporated following the partial proportional spin-off of the printing activities respectively from Il Messaggero SpA and Il Mattino SpA. In addition, also through spin-off, the business unit relating to the management of administrative services, personnel administration, legal services, publishing support services, general services, commercial and circulation services and IT services of Il Messaggero Spa, Il Mattino SpA and Il Gazzettino SpA were transferred to the company Servizi Italia 15 Srl in order to achieve significant cost saving synergies and operating efficiencies.
These operations derive from the re-organisational process initiated in the previous year, with the objective to create an organisational structure based on functional areas. The key results of the subsidiary companies are reported below.

IL MESSAGGERO SPA

The Company publishes the daily newspaper Il Messaggero, founded in 1878 and the historic daily newspaper of the Capital. Il Messaggero is the leading daily newspaper in the Central Italian Region. In May 2007, the traditional print edition was joined by ilmessaggero.it, the online version. In 2012 the newspaper was radically restyled in order to create a more modern product, increasingly user-friendly and capable of communicating on the various multi-media platforms.
The Company in 2016 reports a net loss of Euro 3.9 million (net loss of Euro 2.3 million in 2015), against Operating Revenues of Euro 62.2 million, reducing 6.8% on 2015, due to the contraction in paper and digital copy sales revenues (-11.6%), and advertising revenues (-2.5%). Revenues were also impacted by a number of days lost to strikes. The reduction in operating revenues only partially offset by the decrease in operating costs impacted the EBITDA which reduced from Euro 4.9 million to Euro 1.3 million.

IL MATTINO SPA

The Company publishes Il Mattino, the daily newspaper of Naples and since 1892 the leading newspaper in Campania and the most popular newspaper in Southern Italy, thanks to its long tradition and extensive regional reach.
Il Mattino SpA in 2016 reported a net loss of Euro 3 million (net loss of Euro 2.2

million in 2015), against Operating Revenues of Euro 22.7 million (-9.2%), following the contraction in the number of copies sold (-10.0%) and advertising revenues (-6.4%). The EBITDA reports a loss of Euro 1.5 million (loss of Euro 254 thousand in 2015) due to the reduction in revenues only partially offset by the decrease in operating costs.

IL GAZZETTINO SPA

The Company publishes the daily newspaper Il Gazzettino, founded in 1887 and the historic newspaper of Venice. Il Gazzettino is among the leading 10 daily newspapers in Italy in terms of circulation and the largest newspaper in the North-East. Entering the Caltagirone Editore group in 2006, the newspaper in tabloid format is – as is the case for the other Group newspapers – available also in an online and digital edition.
Il Gazzettino SpA in 2016 reported a net loss of Euro 3.3 million (net loss of Euro 2.1 million in 2015), against Operating Revenues of Euro 29 million (-10.2% on 2015)). Circulation revenues amounted to Euro 17 million, contracting 7.9% due to a decrease in demand and the lower number of publication days following strikes which resulted in lower sales of approx. 2.2%. Advertising revenues amounted to Euro 10.9 million, a decrease of 12.9%.
The EBITDA loss increased from a loss of Euro 522 thousand in 2015 to a loss of Euro 2.5 million in 2016, attributable to the restructuring charges (Euro 1.5 million) and the decrease in operating revenues only partially offset by a reduction in operating costs.

LEGGO SPA

The Company publishes the free newspaper Leggo. Founded in March 2001, Leggo is the leading free newspaper in Italy. Initially distributed in 15 major Italian cities; since November 2011 Leggo joined the "Social Press", becoming more in-depth, modern and featuring improved content. Today, the traditional newspaper Leggo is exclusively present in Rome and Milan, while the online version leggo.it is available to users throughout Italy.
The Company in 2016 reports a net loss of Euro 671 thousand compared to a net loss of Euro 1.5 million in 2015. The improvement in the result is mainly due to the implementation of the general cost containment programme.
The company reports advertising revenues in 2016 of Euro 4.3 million, in line with the previous year. EBITDA reports a loss of approx. Euro 816 thousand, an improvement on the previous year (loss of Euro 1.1 million) due to the rigorous implementation of the control and reduction of costs.

CORRIERE ADRIATICO SPA

The company publishes the newspaper Corriere Adriatico which, founded in 1860, occupies a dominant position in the Le Marche region. Il Corriere Adriatico joined the Group in 2004. Since June 2006, the newspaper has been printed entirely in colour and is also available in an online and digital edition. At the beginning of July, the Corriere Adriatico newspaper was completely renewed with new graphics, content and an innovative format. The new newspaper will be produced together with the national version of Il Messaggero, thereby optimising the Rome printing plant.
Il Corriere Adriatico SpA in 2016 reported a net loss of Euro 1.2 million (net loss of

Euro 1.5 million in 2015), against higher Operating Revenues of 9.1% on 2015. The increase in revenues is largely due to the sale of the newspaper together with the national newspaper Il Messaggero and the new graphic layout which permitted greater volumes both in terms of sales and advertising. The EBITDA was a loss of Euro 1.3 million (loss of Euro 1.4 million in 2015).

QUOTIDIANO DI PUGLIA SPA

The Company publishes Il Nuovo Quotidiano di Puglia, founded in 1979 and the most widely read newspaper in the Ionico Salentina region. Since June 2008, the newspaper has been printed in full colour and a digital version is also available.

In 2016, Quotidiano di Puglia SpA, which publishes the newspaper of the same name in the provinces of Lecce, Brindisi and Taranto, reported a net loss of Euro 419 thousand (net profit of Euro 22 thousand in 2015), with Operating Revenues of Euro 5.9 million (down 11.2% on 2015).

PIEMME SPA

Piemme, founded in 1988, is the Group advertising agency with a portfolio comprising: Daily newspapers, each of which the undisputed leader in their respective regions, the Social Press, a modern social platform which everyday involves readers and web users, and online news websites and from March 2015 Piemme has also undertaken the local advertising on behalf of the RCS Group newspapers. Piemme is the leader on the central-south market.

The Company in 2016 reported a net loss of Euro 2.9 million (net loss of Euro 5.2 million in 2015). In 2016, the company generated advertising revenues of Euro 86.2 million (Euro 90.2 million in 2015), decreasing 4.4% on 2015. This decrease is mainly due to advertising revenues on paper editions, decreasing 5.7%, while revenues from internet advertising increased overall 4.9%, reaching 13.5% of total advertising revenues.

Despite the decrease in sales the company reports an EBITDA profit of Euro 311 thousand also due to the restructuring policies implemented by the company in recent years.

OTHER INVESTMENTS

Finced Srl, Group finance company, reported in 2016 a net loss of Euro 5.6 million (net profit of Euro 6.9 million in 2015), mainly due to the loss recorded on the sale of listed shares on the market, net of the dividends on listed shares.

For information relating to the market trends and performances of the principal subsidiaries and the business strategies, reference should be made to the Directors' Report accompanying the consolidated financial statements.

TRANSACTIONS WITH RELATED PARTIES

For the transactions between the Companies of Caltagiorne Editore SpA and other related parties, reference should be made to the Notes to the Separate Financial Statements and the Directors' Report of the Consolidated Financial Statements.

TREASURY SHARES

In execution of the Shareholders Meeting resolution of April 19th 2016 which authorises the purchase and/or sale of treasury sales of the Company in accordance with Article 2357 of the Civil Code, the Board of Directors of Caltagirone Editore SpA implemented the treasury share buy-back programme of Company shares on the MTA segment of Borsa Italiana.

At December 31st 2016 Caltagirone Editore SpA had 2,127,302 treasury shares in portfolio, comprising 1.702% of the share capital for a value of Euro 2,063,009.98.

OTHER INFORMATION

Caltagirone Editore SpA ensures the protection of personal data in accordance with current legislative provisions.

Caltagirone Editore SpA, as permitted by the Consolidated Finance Act, takes part in a Group tax regime called the "Tax Consolidation" as the parent company.

The Board of Directors' meeting of March 11th 2016 appointed for 2016 the Executive Officer for Financial Reporting of the company as Mr. Fabrizio Caprara.

The Remuneration Report was made available at the registered offices and on the internet site of the company *www.caltagironeeditore.com/investorrelations/corporategovernance* as required by Article 123 ter of the CFA, which reports the information concerning the policy adopted by the company for the remuneration of members of the management and control boards, the remuneration paid to the members of these boards and the information on investments held by these parties.

The Parent Company did not undertake research and development activity in the year and does not have any secondary offices.

At December 31st 2016, the Company had 3 employees (3 at December 31st 2015).

The parent company is not subject to management and co-ordination pursuant to Article 2497 and subsequent of the Italian Civil Code.

CORPORATE GOVERNANCE

For further information on the Corporate Governance system of Caltagirone Editore SpA and the shareholders, pursuant to Article 123 bis of the Consolidated Finance Act, reference should be made to the "Corporate Governance Report", prepared in accordance with the indications and recommendations of Borsa Italiana SpA and published in accordance with Article 89 of the Issuers' Regulations and available on the company website *www.caltagironeeditore.com/investorrelations/corporategovernance*.

PROPOSALS TO THE SHAREHOLDERS' MEETING

Dear Shareholders,
we propose to you the approval of the Financial Statements at December 31st 2016, consisting of the Balance Sheet, Income Statement, Comprehensive Income Statement, Statement of Changes in Shareholders' Equity and the Cash Flow Statement, as well as the relative attachments and the Directors' Report.
The Board of Directors proposes to carry forward the loss of the Parent Company Caltagirone Editore SpA of Euro 23,906,890.

Rome, March 8th 2017

For the Board of Directors

The Chairman
Mr. Francesco Gaetano Caltagirone

ATTACHMENTS

RECONCILIATION BETWEEN THE NET RESULT AND THE NET EQUITY OF THE PARENT COMPANY AND THE CONSOLIDATED NET RESULT AND NET EQUITY AT 31.12.2016

	Net Result	Net Equity
Net Result and Net Equity for the year as per financial statements of the parent company	**(23,907)**	**475,044**
Contribution of subsidiary and associated companies	(42,347)	(8,822)
Effect of the equity method valuation of associated companies	-	3
Adjustment to the international accounting standards IFRS/IAS	4,721	50,531
Elimination of inter-company dividends	(906)	-
Elimination inter-company (profits) losses, net of the tax effect	-	(44,422)
Minority interest share of net equity	-	-
NET RESULT AND NET EQUITY AS PER THE CONSOLIDATED FINANCIAL STATEMENTS	**(62,439)**	**472,334**

Euro thousands

LIST OF INVESTMENTS AT 31.12.2016

Company	Registered Office	Share Capital	Currency	Holding Direct	Holding Indirectly	*Through*
Companies Included in the Consolidation under the Line-by-Line Method						
Ced Digital & Servizi Srl	Rome	100,000.00	Euro	99.99%	0.01%	Finced Srl
Il Messaggero SpA	Rome	1,265,385.00	Euro	99.95%	0.05%	Finced Srl
Il Mattino SpA	Rome	500,000.00	Euro	99.95%	0.05%	Finced Srl
Piemme SpA	Rome	2,643,139.00	Euro	100.00%	0.00%	Finced Srl
Leggo SpA	Rome	1,000,000.00	Euro	99.95%	0.05%	Finced Srl
Finced Srl	Rome	10,000.00	Euro	99.99%	0.01%	Piemme SpA
Corriere Adriatico SpA	Rome	200,000.00	Euro	99.95%	0.05%	Finced Srl
Quotidiano di Puglia SpA	Rome	1,020,000.00	Euro	99.95%	0.05%	Finced Srl
Servizi Italia 15 Srl	Rome	100,000.00	Euro	99.95%	0.05%	Finced Srl
Stampa Napoli 2015 Srl	Rome	10,000.00	Euro	99.95%	0.05%	Finced Srl
Stampa Roma 2015 Srl	Rome	10,000.00	Euro	99.95%	0.05%	Finced Srl
Il Gazzettino SpA	Rome	200,000.00	Euro	99.95%	0.05%	Finced Srl
Centro Stampa Veneto SpA	Rome	567,000.00	Euro	-	100.00%	Il Gazzettino SpA
Imprese Tipografiche Venete SpA	Rome	936,000.00	Euro	-	100.00%	Il Gazzettino SpA
P.I.M. Pubblicità Italiana Multimedia Srl	Rome	1,044,000.00	Euro	-	100.00%	Il Gazzettino SpA
Companies Included in the Consolidation under the Equity Method						
Rofin 2008 Srl	Rome	10,000.00	Euro	30.00%	-	-

CALTAGIRONE EDITORE

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31ST 2016

CALTAGIRONE EDITORE GROUP
CONSOLIDATED BALANCE SHEET

ASSETS	Note	31.12.2016	31.12.2015
Non-current assets			
Intangible assets with definite life	1	614	396
Intangible assets with indefinite life	2	249,903	295,277
Goodwill		-	*45,374*
Newspaper titles		*249,903*	*249,903*
Property, plant and equipment	3	41,994	45,706
Equity investments valued at equity	4	2	3
Equity investments and non-current securities	5	81,702	135,272
Other non-current assets	6	119	118
Deferred tax assets	7	47,364	43,225
TOTAL NON-CURRENT ASSETS		**421,698**	**519,997**
Current assets			
Inventories	8	1,732	2,314
Trade receivables	9	51,556	55,616
of which related parties		*699*	*558*
Tax receivables	7	218	1,440
Other current assets	10	2,001	2,468
Cash and cash equivalents	11	151,030	157,813
of which related parties		*351*	*172*
TOTAL CURRENT ASSETS		**206,537**	**219,651**
TOTAL ASSETS		**628,235**	**739,648**

Euro thousands

CALTAGIRONE EDITORE GROUP
CONSOLIDATED BALANCE SHEET

SHAREHOLDERS' EQUITY & LIABILITIES	Note	31.12.2016	31.12.2015
Shareholders' Equity			
Share capital		125,000	125,000
Share capital issue costs		(18,865)	(18,865)
Reserves		428,638	473,927
Loss for the year		(62,439)	(20,131)
Group shareholders' equity		**472,334**	**559,931**
Minority interest shareholders' equity		-	-
TOTAL SHAREHOLDERS' EQUITY	**12**	**472,334**	**559,931**
LIABILITIES **Non-current liabilities**			
Employee provisions	13	21,393	24,745
Other non-current provisions	14	5,392	5,634
Non-current financial liabilities	15	3,066	8,306
Other non-current liabilities	16	1,558	1,732
Deferred tax liabilities	7	59,419	59,354
TOTAL NON-CURRENT LIABILITIES		**90,828**	**99,771**
Current liabilities			
Current provisions	14	6,926	2,646
Trade payables	17	22,106	24,578
of which related parties		*395*	*2,103*
Current financial liabilities	15	13,534	26,517
of which related parties		*2,737*	*5,337*
Other current liabilities	16	22,507	26,205
of which related parties		*16*	*29*
TOTAL CURRENT LIABILITIES		**65,073**	**79,946**
TOTAL LIABILITIES		**155,901**	**179,717**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**628,235**	**739,648**

Euro thousands

CALTAGIRONE EDITORE GROUP
CONSOLIDATED INCOME STATEMENT

	Note	2016	2015
Revenues			
Revenues from sales and services	18	147,022	156,885
of which related parties		*894*	*796*
Other operating revenues	19	5,325	6,148
of which related parties		*14*	*98*
TOTAL REVENUES		**152,347**	**163,033**
Costs			
Raw material costs	20	(14,674)	(15,682)
Labour costs	13	(69,788)	(72,890)
of which restructuring charges		*(4,492)*	*(1,611)*
Other operating charges	21	(69,806)	(71,327)
of which related parties		*(4,972)*	*(5,167)*
TOTAL COSTS		**(154,268)**	**(159,899)**
EBITDA		**(1,921)**	**3,134**
Amortisation & Depreciation	22	(6,478)	(6,689)
Provisions	22	(697)	(549)
Write-down intangible assets indefinite life	2-22	(45,374)	(22,000)
Write-down receivables/non-current assets	22	(1,835)	(1,847)
EBIT		**(56,305)**	**(27,951)**
Result of companies valued at equity	**4-23**	**-**	**-**
Financial income		5,435	10,713
of which related parties		*4,943*	*4,283*
Financial expenses		(13,795)	(2,032)
of which related parties		*(281)*	*(258)*
Net financial income/(charges)	**23**	**(8,360)**	**8,681**
LOSS BEFORE TAXES		**(64,665)**	**(19,270)**
Income taxes	7	2,226	(861)
LOSS FROM CONTINUING OPERATIONS		**(62,439)**	**(20,131)**
NET LOSS FOR THE YEAR		**(62,439)**	**(20,131)**
Group Net Loss		(62,439)	(20,131)
Minority interest share		-	-
Euro thousands			
Basic loss per share	24	(0.507)	(0.163)
Diluted loss per share	24	(0.507)	(0.163)

CALTAGIRONE EDITORE GROUP

	2016	2015
Net loss for the year	**(62,439)**	**(20,131)**
Items which are not reclassified subsequently to profit/(loss) for the year		
Effect of actuarial gains/losses, net of tax effect	222	461
Items which may be reclassified subsequently to profit/(loss) for the year		
UProfit/(loss) from recalculation of AFS assets, net of tax effect	(25,161)	(6,432)
TOTAL OTHER ITEMS OF THE COMPREHENSIVE INCOME STATEMENT	**(24,939)**	**(5,971)**
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR	**(87,378)**	**(26,102)**
Attributable to:		
- Parent Company shareholders	(87,378)	(26,102)
- Minority interest	-	-

Euro thousands

CALTAGIRONE EDITORE GROUP

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY - 2015

	Share capital	Listing charges	Treasury shares	Fair Value reserve	Other reserves	Net Result	Group net equity	Minority interest net equity	Total net equity
Balance at January 1st 2015	**125,000**	**(18,865)**	**(1,334)**	**26,140**	**492,796**	**(37,194)**	**586,543**	**-**	**586,543**
Dividends distributed	-	-	-	-	-	-	**-**	-	**-**
Prior year result carried forward	-	-	-	-	(37,194)	37,194	**-**	-	**-**
Acquisition of treasury shares	-	-	(510)	-	-	-	**(510)**	-	**(510)**
Total operations with shareholders	**-**	**-**	**(510)**	**-**	**(37,194)**	**37,194**	**(510)**	**-**	**(510)**
Change in fair value reserve	-	-	-	(6,432)	-	-	**(6,432)**	-	**(6,432)**
Change in employment termination reserve	-	-	-	-	461	-	**461**	-	**461**
Net Result	-	-	-	-	-	(20,131)	**(20,131)**	-	**(20,131)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(6,432)**	**461**	**(20,131)**	**(26,102)**	**-**	**(26,102)**
Balance at December 31st 2015	**125,000**	**(18,865)**	**(1,844)**	**19,708**	**456,063**	**(20,131)**	**559,931**	**-**	**559,931**

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STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY - 2016

	Share capital	Listing charges	Treasury shares	Fair Value reserve	Other reserves	Net Result	Group net equity	Minority interest net equity	Total net equity
Balance at January 1st 2016	**125,000**	**(18,865)**	**(1,844)**	**19,708**	**456,063**	**(20,131)**	**559,931**	**-**	**559,931**
Prior year result carried forward	-	-	-	-	(20,131)	20,131	**-**	-	**-**
Acquisition of treasury shares	-	-	(219)	-	-	-	**(219)**	-	**(219)**
Total operations with shareholders	**-**	**-**	**(219)**	**-**	**(20,131)**	**20,131**	**(219)**	**-**	**(219)**
Change in fair value reserve	-	-	-	(25,161)	-	-	**(25,161)**	-	**(25,161)**
Change in employment termination reserve	-	-	-	-	222	-	**222**	-	**222**
Net Result	-	-	-	-	-	(62,439)	**(62,439)**	-	**(62,439)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(25,161)**	**222**	**(62,439)**	**(87,378)**	**-**	**(87,378)**
Balance at December 31st 2016	**125,000**	**(18,865)**	**(2,063)**	**(5,453)**	**436,154**	**(62,439)**	**472,334**	**-**	**472,334**

Euro thousands

CALTAGIRONE EDITORE GROUP
CONSOLIDATED CASH FLOW STATEMENT

	Note	31.12.2016	31.12.2015
CASH & CASH EQUIVALENTS AT BEGINNING YEAR	**11**	**157,813**	**155,494**
Net loss for the year		(62,439)	(20,131)
Amortisation & Depreciation		6,478	6,689
(Revaluations) and write-downs		47,209	23,908
Result of companies valued at equity		-	-
Net financial income/(charges)		8,388	(4,199)
(Gains)/losses on disposals		(16)	(4,543)
Income taxes		(2,226)	861
Changes in employee provisions		(3,466)	(3,109)
Changes in current and non-current provisions		4,038	(633)
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		**(2,034)**	**(1,157)**
(Increase) Decrease in inventories		582	30
(Increase) Decrease in Trade receivables		2,294	(811)
Increase (Decrease) in Trade payables		(2,471)	2,123
Change in other current/non-current assets/liabilities		(3,415)	(5,413)
Change in deferred and current income taxes		1,175	730
OPERATING CASH FLOW		**(3,869)**	**(4,498)**
Dividends received		4,104	3,420
Interest received		411	897
Interest paid		(1,099)	(1,231)
Income taxes paid		(1,636)	(761)

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CALTAGIRONE EDITORE GROUP
CONSOLIDATED CASH FLOW STATEMENT

continued from previous page	Note	31.12.2016	31.12.2015
A) CASH FLOW FROM OPERATING ACTIVITIES		**(2,008)**	**(2,173)**
Investments in intangible fixed assets		(408)	(350)
Investments in tangible fixed assets		(2,566)	(544)
Non-current investments and securities		-	(12,242)
Sale of intangible and tangible assets		20	-
Sale of equity investments and non-current securities		16,622	11,943
Other changes in investments		-	678
B) CASH FLOW FROM INVESTING ACTIVITIES		**13,668**	**(515)**
Change in current financial liabilities		(18,224)	5,517
Other changes		(219)	(510)
C) CASH FLOW FROM FINANCING ACTIVITIES		**(18,443)**	**5,007**
D) EFFECT EXCHANGE DIFFERENCES ON CASH & CASH EQUIVALENTS		**-**	**-**
Change in net liquidity		(6,783)	2,319
CASH AND CASH EQUIVALENTS AT YEAR END	**11**	**151,030**	**157,813**

Euro thousands

CALTAGIRONE EDITORE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31ST 2016

INTRODUCTION

Caltagirone Editore SpA (Parent Company) is a limited liability company, listed on the Milan Stock Exchange, operating in the publishing sector with its registered office in Rome (Italy), Via Barberini, No. 28.
At the date of the preparation of the present explanatory notes, the shareholders with holdings above 3% of the share capital, as per the shareholders' register, the communications received in accordance with Article 120 of Legislative Decree No. 58 of February 24th 1998, and other information available are:

Francesco Gaetano Caltagirone 75,955,300 shares (60.76%).
The above-mentioned investment is held:
- indirectly through the companies:
  - Parted 1982 SpA 44,454,550 azioni (35.56%)
  - Gamma Srl 9,000,750 azioni (7.20%)
  - FGC Finanziaria Srl 22,500,000 azioni (18.00%)

At the date of the preparation of the present accounts, the ultimate holding company was FGC SpA, due to the shares held through subsidiary companies.
The consolidated financial statements at December 31st 2016 include the financial statements of the Parent Company and its subsidiaries (together the "Group"). The financial statements prepared by the Directors of the individual companies for approval by the respective shareholders' meetings, were utilised for the consolidation.
These consolidated financial statements were authorised for publication by the Directors on March 8th 2017.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS APPROVED BY THE EUROPEAN COMMISSION

The consolidated financial statements at December 31st 2016 are prepared on the going concern basis of the Parent Company and the subsidiaries and in accordance with Articles 2 and 3 of Legislative Decree 38/2005 and International Financial Reporting Standards (IFRS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), approved by the European Commission and in force at the balance sheet date, in addition to the preceding International Accounting Standards (IAS). For simplicity, all the standards and interpretations are hereafter stated simply as "IFRS".
All of the financial statements of the companies consolidated fully are prepared at the same date as the consolidated financial statements and, with the exception of those of the Parent Company which are prepared according to IFRS, were prepared according to Italian GAAP, to which the necessary adjustments were made in order to render them uniform with the Parent Company principles.
The Group did not opt for the advance adoption of the standards, interpretations and updates already approved, which are applicable after the date of the accounts.
The Group evaluated the possible effects related to the application of the new standards/changes to accounting standards already in force listed below in the present notes; based on a preliminary evaluation, significant effects did not emerge in the consolidated financial statements and the parent company financial statements.

BASIS OF PRESENTATION

The Consolidated Financial Statements consist of the Balance Sheet, the Consolidated Income Statement, the Comprehensive Consolidated Income Statement, the Consolidated Cash Flow Statement, and the Statement of changes in Shareholders' Equity, an outline of the accounting principles adopted and the present Notes to the financial statements.

The Balance Sheet is presented in a format which separates the current and non-current assets and liabilities, while the Consolidated Income Statement is classified on the basis of the nature of the costs and the Cash Flow statement is presented utilising the indirect method. The IFRS were applied in accordance with the "Framework for the preparation and presentation of financial statements" and no matters arose which required recourse to the exceptions permitted by IAS 1, paragraph 19.

It is recalled that CONSOB. resolution No. 15519 of July 27th 2006 requires that the above financial statements report, where the amounts are significant, additional sub-accounts to those already specifically required by IAS 1 and other international accounting standards in order to show the balances and transactions with related parties as well as the relative income statement accounts relating to non-recurring or unusual operations.

The assets and liabilities are shown separately and without any offsetting.

The Consolidated Financial Statements are presented in Euro, the functional currency of the Parent Company, and the amounts shown in the notes to the financial statements are shown in thousands, except where indicated otherwise.

The operational and presentation currency of the Group is the Euro, which is also the operational currency of all of the companies included in the present financial statements.

The 2016 financial statements of the Parent Company Caltagirone Editore SpA are also prepared in accordance with IFRS as defined above.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

New accounting standards and interpretations

From January 1st 2016 the Group adopted the following new accounting standards:

- "Equity Method in Separate Financial Statements (Amendments to IAS 27)". This document was adopted by the European Union under Regulation No. 2441 of December 23rd 2015. The amendments will allow entities to use the equity method to measure investments in subsidiaries, joint ventures and associates in the separate financial statements.
- Amendments to IAS 1 "Presentation of Financial Statements". These amendments were adopted by the European Union under Regulation No.2406 of December 19th 2015. The initiative is part of the Disclosure Initiative project to improve the presentation and communication of financial information in financial reports and to resolve a number of issues highlighted by operators.
- "Annual Improvements to IFRSs: 2012-2014 Cycle". This document was adopted by the European Union under Regulation No. 2343 of December 16th 2015. The amendments introduced concern the following standards: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosure, IAS 19 Employee Benefits, IAS 34 Interim Financial Reporting.
- "Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)"; these amendments clarify that a depreciation

and amortisation method based on the revenues generated by an asset (revenue-based method) is not considered appropriate as exclusively reflecting the revenue streams generated from the assets and not, in fact, the manner of consumption of the economic benefits of the asset. These amendments were adopted by the European Union under Regulation No.2231 of December 3rd 2015.

- "Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 Joint Arrangements)". This document was adopted by the European Union under Regulation No. 2173 of November 25th 2015. The amendments to IFRS 11 clarify the method for recognition of holdings acquired in a joint operation which represent a business.
- Amendments to IAS 16 and IAS 41 concerning Bearer Plants. According to these amendments, adopted by the European Union with Regulation No. 2113 of November 24th 2015, the harvests may be recorded at cost rather than fair value. Otherwise, the amount continues to be recognised at fair value.
- "Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)". The amendment, adopted by the European Union with Regulation No. 1703 of September 23rd 2016, clarified three questions relating to the consolidation of an investment entity.

Accounting Standards and interpretations on Standards effective from the periods subsequent to 2016 and not adopted in advance by the Group

- On July 24th 2014, the IASB published IFRS 9 – "Financial instruments". The document incorporates the results of the classification and measurement, derecognition, impairment and hedge accounting phases of the IASB project to replace IAS 39. The new standard replaces the previous versions of IFRS 9. As noted, the IASB in 2008 initiated a phased project for the replacement of IFRS 9. In 2009, they published the first version of IFRS 9 which considers the measurement and classification of financial assets; subsequently, in 2010 the rules concerning financial liabilities and derecognition were published (this latter issue was entirely incorporated by IAS 39). In 2013, IFRS 9 was amended to include the general model of hedge accounting. In September 2015, EFRAG completed its due process for the issue of the endorsement advice, which was thereafter presented to the European Commission. This document, adopted by the European Union with Regulation No. 2067 of November 29, 2016, is applicable from periods which begin, or subsequent to, January 1st 2018. Earlier application is permitted.
- On May 28th 2014, the IASB published "IFRS 15 — Revenue from Contracts with Customers". The standard is a single and complete framework for the recognition of revenues and sets the rules to be applied to all contracts with customers (with the exception of contracts which fall within the scope of the standards on leasing, on insurance contracts and on financial instruments). IFRS 15 replaces the previous standards on revenues: IAS 18 *Revenue* and IAS 11 *Construction Contracts*, in addition to the interpretations IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services*. The standard establishes the criteria for the recognition of revenues from the sale of products or the supply of services through the introduction of the so-called five-step model framework; in addition, specific information concerning the nature, the amount, the timing and the uncertainties relating to revenues and cash flows

deriving from the underlying contracts with clients must be provided in the explanatory notes. On September 11th 2015, the IASB published the Amendments to IFRS 15, which postponed the entry into force of the standard by one year to January 1st 2018. This document, adopted by the European Union with Regulation No. 1905 of October 29, 2016, is applicable from periods beginning on, or subsequent to, January 1st 2018. Earlier application is permitted.

New accounting standards and interpretations

At the date of the approval of the present Consolidated Financial Statements, the IASB had issued (however not yet approved by the European Union) a number of accounting standards, interpretations and amendments - some still in the consultation phase - among which we highlight:

- On January 30th 2014, the IASB published IFRIC 14 – *"Regulatory Deferral Accounts"*. The standard establishes the option for first-time adopters operating in a regulated tariff sector to continue to recognise in the first and subsequent IFRS financial statements - with certain limited changes - the "regulatory assets and liabilities" under the previous local GAAP; in addition, the assets and liabilities from regulatory activities and their movements are presented separately in the balance sheet, in the income statement and in the comprehensive income statement and specific disclosure must be provided in the explanatory notes. The European Commission has currently suspended the Endorsement Process ahead of the issue of the definitive accounting standard by the IASB.
- On January 13th 2016, the IASB published the new standard IFRS 16 *Leases*, which replaces IAS 17. IFRS 16 is applicable from January 1st 2019. The new standard eliminates the difference in the recognition of operating and finance leases, while also presenting elements which simplify application and introduces the concept of control within the definition of leasing. In particular, in order to determine whether a contract represents leasing, IFRS 16 requires to verify whether the lessee has the right to control the use of a determined asset for a determined period of time. Advance application is permitted for entities applying also IFRS 15 *Revenues from Contracts with Customers*. The conclusion of EFRAG's due process is expected in the first quarter of 2017.
- On April 12th 2016, the IASB published the document "Clarifications to IFRS 15 Revenue from Contracts with Customers". This amendment does not amend the provisions within the standard but clarifies how these provisions shall be applied. In particular, it is clarified (i) how to identify a performance obligation in a contract, (ii) how to determine if an entity is a principal or an agent and (iii) how to identify the moment in which the revenues shall be recognised deriving from the license concession. The entry into force of this amendment, which is expected to be approved by the European Union in the second quarter of 2017, is also January 1st 2018.
- On September 11th 2014, the IASB published the document "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)", in order to resolve a conflict between IAS 28 and IFRS 10. According to IAS 28, the profit or loss from the sale or conferment of a non-monetary asset to a joint venture or associate in exchange for a share of the capital of this latter is limited to the share held by external investors to the transaction. On the other hand, IFRS 10 provides for the recognition of the entire profit or loss in the case of loss of control, also if the entity continues to hold a non-controlling

holding, including also upon the sale or conferment of a subsidiary to a joint venture or associate. The amendments introduced provide that for the disposal/conferment of an asset or a subsidiary to a joint venture or associated company, the measurement of the profit or the loss to be recognised to the financial statements of the disposing company/conferring company depends on whether the asset or the subsidiary disposed of/conferred is a business as defined by IFRS 3. In the case in which the assets or the subsidiary disposed of/conferred are considered a business, the entity must recognise the profit of the loss on the entire share previously held; while in the contrary case, the share of profit or loss concerning the stake still held by the entity must be eliminated. In December 2015, the IASB published the Amendment which defers for an unspecified period of time the entry into force of the amendments to IFRS 10 and IAS 28, while awaiting completion of the IASB project on the equity method.

- On January 19th 2016, the IASB published amendments to IAS 12 Income Tax. The document "Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)" clarifies the calculation of deferred tax assets on debt instruments measured at fair value. The changes are applied from January 1st 2017. Earlier application is permitted. Approval by the EU is expected in the second quarter of 2017.
- On January 29th 2016, the IASB published amendments to IAS 7 Statement of cash flows. The Disclosure Initiative document (Amendments to IAS 7) seeks to improve the presentation and communication of financial information in financial reports and to resolve a number of issues highlighted by operators. These changes will be applied from January 1st 2017. Approval by the EU is expected in the second quarter of 2017.
- On June 20th 2016, the IASB published amendments to IFRS 2 Share-based Payment. The document "Classifications and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)" resolves some issues relating to the accounting of share-based payments. In particular, this amendment includes some significant improvements (i) in the measurement of share-based payments settled by cash, (ii) in their classification and (iii) in the method for the recognition where there is a change from share-based payments settled by cash to share-based payments settled through capital instruments. These changes will be applied from January 1, 2018. Approval by the EU is expected in the second quarter of 2017.
- On September 12th 2016, the IASB published some amendments to IFRS 4 Insurance Contracts. The document "Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" has the objective to resolve some inconsistencies deriving from the difference in the date of entry into force of IFRS 9 and the new accounting standard on insurance contracts. These changes will be applied from January 1, 2018. Approval by the EU is expected in the third quarter of 2017.
- On December 8th 2016, the IASB published some modifications on IAS 40 Investment Property. The document "Amendments to IAS 40: Transfers of Investment Property" has the objective to clarify the aspects relating to the treatment of the transfers from, and to, investment properties. In particular, the modification clarifies that a transfer must take place if and only if there is a change in the use of the asset. A change in management's intention is not in itself sufficient to support a transfer. The amendments are applicable to financial statements relating to periods which begin January 1st 2018, or subsequently;

advance application is permitted. Approval by the European Union is expected in the second half of 2017.

- On December 8, 2016, the IASB published "Annual Improvements to IFRS Standards 2014-2016 Cycle". The modifications introduced, within the normal review and clarifications on international accounting standards, concern the following standards: IFRS 1 First-time adoption of IFRS, IFRS 12 Disclosure of interests in other entities and IAS 28 Investments in associates and joint venture. Approval by the European Union is expected in the second half of 2017. The modifications relating to IFRS 1 and IAS 28 are applied to financial statements which begin on January 1st 2018, or subsequently; advanced application is permitted only in relation to IAS 28. The amendments are applicable to financial statements relating to periods which begin January 1st 2017, or subsequently.
- On December 8th 2016, the IASB published the interpretation IFRIC 22 - "Foreign Currency Transaction and Advance Consideration", in order to provide clarification on the correct recognition of an operation in foreign currency, in the case of payments made or received in advance compared to the actual transaction to which the payment refers. The interpretation clarifies that the date of the transaction to be utilised for the conversion is the date in which the entity makes or receives the advance payment. IFRIC 22 is applicable to financial statements relating to years which begin on January 1st 2018 or subsequently; advanced application is permitted. Approval by the European Union is expected in the second half of 2017.

Any effects that the newly applied accounting standards, amendments and interpretations may have on the Group financial disclosure are currently being evaluated.

BASIS OF CONSOLIDATION

CONSOLIDATION SCOPE

The consolidation scope includes the parent company and all of its subsidiaries, directly or indirectly held (hereinafter the "Group").

The list of subsidiaries included in the consolidation scope is as follows:

	Registered Office	31.12.2016	31.12.2015	Activities
Caltagirone Editore SpA	Rome	Parent Com.	Parent Com.	finance
Il Messaggero SpA	Rome	100%	100%	publishing
Il Mattino SpA	Rome	100%	100%	publishing
Piemme SpA	Rome	100%	100%	advertising
Leggo SpA	Rome	100%	100%	publishing
Finced Srl	Rome	100%	100%	finance
Ced Digital & Servizi Srl	Rome	100%	100%	publishing
Corriere Adriatico SpA	Rome	100%	100%	publishing
Quotidiano di Puglia SpA	Rome	100%	100%	publishing
Il Gazzettino SpA	Rome	100%	100%	publishing
Centro Stampa Veneto SpA (*)	Rome	100%	100%	printing
Imprese Tipografiche Venete SpA (*)	Rome	100%	100%	printing
P.I.M. Srl (*)	Rome	100%	100%	advertising
Servizi Italia 15 Srl	Rome	100%	-	services
Stampa Roma 2015 Srl	Rome	100%	-	printing
Stampa Napoli 2015 Srl	Rome	100%	-	printing

** Held by Il Gazzettino SpA*

On March 22nd 2016, the companies Stampa Roma 2015 Srl and Stampa Napoli 2015 Srl were incorporated following the partial proportional spin-off of the printing activities respectively from Il Messaggero SpA and Il Mattino SpA. In addition, also through spin-off, the business unit relating to the management of administrative services, personnel administration, legal services, publishing support services, general services, commercial and circulation services and IT services of Il Messaggero SpA, Il Mattino SpA and Il Gazzettino SpA were transferred to the company Servizi Italia 15 Srl in order to achieve significant cost saving synergies and operating efficiencies.
The Group, through the above-mentioned corporate operations, continues the re-organisational process initiated in the previous year, with the objective to create an organisational structure based on functional areas.

SUBSIDIARIES

Subsidiary companies are all companies in which the Group directly or indirectly exercises control. Control is exercised either due to directly or indirectly holding a majority of the voting rights, or through the exercise of a dominant influence which is expressed by the power to determine, including indirectly based on contractual or legal agreements, the financial and operating choices of the company and thus obtaining the relative benefits, without reference to the actual holding in the company.
In particular, according to IFRS 10 control over an entity exists when an investor has the ability to utilise their power to influence the results of the entity, and when having the right to variable returns from their connection with the entity invested in.
Subsidiaries are consolidated from the date in which control occurs until the moment in which this control terminates.
The financial statements used for the consolidation were prepared at December 31st and are normally those prepared and approved by the Board of Directors of the individual companies, appropriately adjusted, where necessary, in accordance with the accounting principles of the Parent Company.
For the list of companies included in the consolidation scope, reference should be made to the table as per Article 38 of Legislative Decree No. 127/1991 attached to the present report.

ASSOCIATED COMPANIES

	Registered office	2016	2015
Shareholders' Equity			
Rofin 2008 Srl	Rome	30.00%	30.00%

Associated companies are companies in which the Group has a significant influence, which is presumed to exist when the percentage held is between 20% and 50% of the voting rights.
Companies under joint control are subject to a contractual agreement between the participants which establish the control of the business operations of the company.

The investments in associated companies and the companies subject to joint control are valued under the equity method and are initially recorded at cost.
The equity method is as described below:

- the book value of these investments are in line with the net equity and includes the recording of the higher value attributed to the assets and liabilities and to any goodwill identified at the moment of the acquisition;
- the Group gains and losses are recorded at the date in which the significant influence begins and until the significant influence terminates; in the case where, due to losses, the Company valued under this method indicates a negative net equity, the carrying value of the investment is written down and any excess pertaining to the Group, where this latter is committed to comply with legal or implicit obligations of the investee, or in any case to cover the losses, is recorded in a specific provision; the equity changes of the companies valued under the equity method not recorded through the income statement are recorded directly as an adjustment to equity reserves;
- the significant gains and losses not realised generated on operations between the Parent Company and subsidiary companies and investments valued under the equity method are eliminated based on the share pertaining to the Group in the investee; the losses not realised are eliminated, except when they represent a reduction in value.

The list of the associated companies is provided in the notes.
The condensed financial information required by IAS 12 is provided in the Notes.

CONSOLIDATION PROCEDURES

The subsidiary companies are consolidated using the line-by-line method. The criteria adopted for line-by-line consolidation were as follows:

- the assets and liabilities and the charges and income of the companies fully consolidated are recorded line-by-line, attributing to the minority shareholders, where applicable, the share of net equity and net result for the period pertaining to them; this share is recorded separately in the net equity and in the consolidated income statement;
- the business combinations, in which the control of an entity is acquired, are recorded applying the "Acquisition method". The acquisition cost is represented by the fair value, at the purchase date, of assets sold, of liabilities incurred and of capital instruments issued. The assets, liabilities and contingent liabilities are recognised at their fair value at the purchase date. The difference between the purchase cost and the fair value of the assets and liabilities transferred, if positive, is recorded under intangible assets as goodwill, and if negative is recorded directly in the income statement, as income;
- the inter-group balances and transactions, including any unrealised gains with third parties, are eliminated net of the fiscal effect, if significant. The unrealised losses are not eliminated, where the transaction indicates a reduction in value of the activity transferred;
- the gains and losses deriving from the sale of an investment in a consolidated company are recorded to group net equity as a transaction with shareholders for the amount corresponding to the difference between the sales price and the

corresponding share of the consolidated net equity sold. In the case in which the sale results in the loss of control and therefore the deconsolidation of the investment, the difference between the sales price and the corresponding share of consolidated net equity sold must be recorded as a profit or loss to the income statement.

FOREIGN CURRENCY TRANSACTIONS

All transactions in currencies other than the Euro are recognised at the exchange rate at the date of the transaction. The assets and liabilities denominated in foreign currencies other than the operational currencies are subsequently adjusted to the exchange rate at the end of the reporting period. The positive or negative differences between the values translated at the period end exchange rate and the original exchange rate are recognised in the income statement.
The non-monetary assets and liabilities denominated in foreign currencies and recorded at historical cost are translated utilising the exchange rate at the initial date of recording of the operation.
The non-monetary assets and liabilities recognised at fair value are translated using the exchange rate at the transaction date.

BUSINESS COMBINATIONS

Business combinations are recognised according to the acquisition method. According to this method:

i. the amount transferred to a business combination is valued at fair value, calculated as the sum of the fair value of the assets transferred and the liabilities assumed by the Group at the acquisition date and of the equity instruments issued in exchange for control of the company acquired. Accessory charges to the transaction are recorded to the income statement when they are incurred;
ii. at the acquisition date, the identifiable assets acquired and the liabilities assumed are recorded at fair value at the acquisition date; exceptions to this are the deferred tax assets and liabilities, employee benefit assets and liabilities, liabilities or equity instruments relating to share-based payments of the entity acquired or share-based payments relating to the Group issued in replacement of the contracts of the entity acquired, and the assets (or group of assets and liabilities) held-for-sale, which are instead valued according to the applicable standard;
iii. goodwill is calculated as the excess of the amounts transferred to the business combination, of the value of minority interests' net equity and the fair value of any holding previously held in the acquired company compared to the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and the liabilities assumed at the acquisition date exceeds the sum of amounts transferred, of any minority interest and the fair value of any holding previously held in the acquired company, this excess is immediately recorded to the income statement as income deriving from the transaction concluded;
iv. any amount subject to conditions established by the business combination contract are valued at fair value at the acquisition date and included in the value of the amounts transferred to the business combination for the determination of goodwill.

In the case of business combinations undertaken in a series of phases, the holding previously held in the acquired entity is revalued at fair value at the acquisition of control date and any profit or loss is recorded to the income statement. If the initial values of a business combination are incomplete at the period-end in which the business combination took place, the Group reports in its consolidated financial statements the provisional values of the items for which the final calculations could not be made. These provisional values are adjusted in the measurement period to take account of the new information obtained on the facts and circumstances existing at the acquisition date which, if known, would have had effects on the value of assets and liabilities recognised at this date.
On passage to IFRS, the Group decided to restate only the business combinations taking place after January 1st 2004. For the acquisitions before this date, goodwill is the amount recorded in accordance with Italian GAAP.

ACCOUNTING POLICIES

INTANGIBLE ASSETS WITH DEFINITE LIFE

An intangible asset is a non-monetary asset, clearly identifiable and without physical substance, controllable and capable of generating future economic benefits.
The Intangible assets with a definite life, which include patents, concessions, licences, trademarks and similar rights and software, are recorded at cost, including direct accessory costs necessary in order to render the asset available for use. For each intangible asset, on initial recognition the useful life is determined and re-examined annually and any changes are made in accordance with future estimates.
Intangible assets with definite useful lives are recognised net of the relative accumulated amortisation and any impairment in accordance with the procedures described below. Amortisation begins when the asset is available for use and is recognised on a systematic basis in relation to the residual use and thus over the useful life of the asset. In the first year of use the amortisation takes into account the period of its use in the year. Considering the uniformity of the assets contained in the individual categories, it is considered, with the exception of specific cases, that the useful life of these assets is approximately 3-5 years. At the moment of sale or when no expected future economic benefits exist from the use of an intangible asset, it is eliminated from the financial statements and any loss or gain (calculated as the difference between the sales value and the net book value) is recorded in the income statement in the year of the above mentioned elimination.

INTANGIBLE ASSETS WITH INDEFINITE LIFE

GOODWILL

The goodwill deriving from business combinations is allocated to the cash-generating unit which will benefit from these operations. The goodwill relating to investments in associated companies is included in the carrying value of these companies.
After the initial recording, goodwill is not amortised but is adjusted for any loss in value, determined in accordance with the procedures described below (see Note 2). Any write-downs may not be subsequently re-stated.

NEWSPAPER TITLES

Intangible assets with indefinite useful lives are those assets for which, on the basis of an analysis of all of the relevant factors, there is no foreseeable limit to the period in which the cash flow generated is limited for the Group. The newspaper titles are considered assets with indefinite useful lives.

The intangible assets with an indefinite life are initially recorded at purchase cost, determined in accordance with the same procedures indicated for intangible assets with a definite life, but are not amortised subsequently. The recoverability of their value was verified as reported below (see Note 2). Any write-downs are reinstated if the reasons for their write down no longer exist.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost, including directly allocated accessory costs and those necessary for the asset being in the condition for which it was acquired, and increased, in the presence of current obligations, by the current value of the estimated cost for the disposal of the asset.

The financial charges directly attributable to the acquisition, construction or production of an asset are capitalised as part of the cost of the asset itself until the moment in which the asset is ready for expected use or sale.

The expenses incurred for the maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement in the year in which they are incurred. The capitalisation of the costs relating to the expansion, modernisation or improvement of owned tangible assets or of those held in leasing, is made only when they satisfy the requirements to be separately classified as an asset or part of an asset in accordance with the component approach.

Property, plant and equipment is recorded net of the relative accumulated depreciation and any loss in value determined in accordance with the procedures described below. Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset; useful life is reviewed annually and any changes, where necessary, are made on the basis of the new estimate.

The Property, plant and equipment acquired through finance lease contracts, where the majority of the risks and rewards relating to the ownership of an asset have been transferred to the Group, are rfecognised as assets of the Group at their fair value, or, if lower, at the present value of the minimum lease payments, including any redemption amounts to be paid. The corresponding liability due to the lessor is recorded under financial payables. The leased assets are amortised based on the useful life of the asset. When there is no reasonable certainty that the Group will acquire ownership at the end of the lease, the asset is amortised over the shorter period of the duration of the lease and the useful life of the asset. The leased assets where the lessor bears the majority of the risks and rewards relating to an asset are recorded as operating leases. The costs relating to operating leases are recorded on a straight-line basis in the income statement over the duration of the lease contract.

The principal depreciation rates applied are as follows:

	Useful life	Economic/Technical rate
Industrial buildings	30 years	3.33%
Light constructions	10 years	10%
Non automated machines and general plant	10 years	10%
Rotating press for paper in rolls	15 years	6.67%
Minor equipment	4 years	25%
Office furniture and equipment	8 years	12.5%
Transport vehicles	5 years	20%
Motor vehicles and similar	4 years	25%

Land, both constructible and relating to civil and industrial buildings, is not depreciated as it has an unlimited useful life.
When the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is made separately for each part of the asset, with the application of the component approach principle.
At the moment of sale or when there are no expected future economic benefits from the use of property, plant and equipment, they are eliminated from the financial statements and any loss or gain (calculated as the difference between the sales value and the book value) is recorded in the Income Statement in the year of the above-mentioned elimination.

IMPAIRMENT LOSSES

Periodically, property, plant and machinery and intangible assets with definite useful life are examined for the existence of events or changes which would indicate that the book value may not be recovered. If an indication of this type exists, the recoverable amount must be determined and, in the case in which the book value exceeds the recoverable amount, these assets are written down to reflect their recoverable amount.
The recoverable amount of the intangible and tangible assets is the higher value between the present value, net of the disposal costs and their value of use. The value in use refers to the present value of estimated future cash flows of the asset or, for assets that do not independently generate sufficient cash flows, of the group of assets that comprise the cash generating unit to which the asset belongs.
In defining use value, expected future financial flows are discounted back by using a pre-tax discount rate that reflects current estimated market value referring to the cost of money compared to the time and specific risks of the asset.
A reduction in value is recognised in the income statement when the carrying value of the asset, or of the relative cash-generating unit to which it is allocated, is higher than the recoverable amount: the losses in value of cash-generating units are firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value. When the reasons for a write-down no longer exist on tangible and intangible assets other than goodwill, the book value of the asset is restated through the income statement,

up to the value at which the asset would be recognised if no write-down had taken place and amortisation had been recognised.
When the reduction in value deriving from the test is higher than the value of the asset subject to the test allocated to the cash generating unit to which it belongs, the residual amount is allocated to the assets included in the cash-generating unit in proportion to their carrying value. This allocation has as its minimum limit, the highest value between:

- the relative fair value of the asset less disposal costs;
- the relative value in use, as defined above;
- zero.

Losses are recognised in the Income Statement under the account amortisation, depreciation and write-downs.

INVESTMENTS IN COMPANIES VALUED UNDER THE EQUITY METHOD

Associated companies are companies in which the Group exercises a significant influence but does not exercise control of the financial and operating policies, as defined by IAS 28 – Investments in associates. The consolidated financial statements include the quota attributable to the Group of the results of associated companies recorded under the equity method, from the date in which the significant influence commences until the date in which the significant influence ceases.
Where the share of losses pertaining to the Group in the associated company exceeds the carrying value of the investment, the value of the investment is written down and the share of further losses is not recorded, with the exception that the Group has the obligation to cover such losses.

INVESTMENTS VALUED AT COST

These concern investments for which the fair value cannot be reliably determined, these investments are valued at cost adjusted for reductions in value and the effects are recognised in the income statement.

INVENTORIES

Raw materials, semi-finished and finished products are recognised at cost and measured at the lower of cost and the market value. The cost is calculated on the basis of the weighted average cost method, which includes related accessory costs.
In order to establish the net realisable value, the value of any obsolete or slow-moving inventory is written-down based on the expected future utilisation/realisable value through the creation of a relative fund for the reduction in value of the inventory.

FINANCIAL ASSETS

The financial assets are classified, on initial recognition, in one of the following categories and measured as follows:

- *available for sale financial assets*: the available-for-sale assets are non-derivative financial instruments explicitly designated in this category and are classified under non-current assets unless management has the intention to sell them

within 12 months from the balance sheet date. These financial assets are valued at fair value and the valuation gains or losses are allocated to net equity and the Comprehensive Income Statement. They are recognised in the income statement only when the financial asset is sold, or, in the case of negative cumulative changes, when it is considered that the reduction in value already recorded under equity may not be recovered and when a long-term loss in value is established.
The Group, taking account of the types of shares held, established that the quantitative limits utilised to identify the necessity for an impairment procedure are for a decrease in the fair value of above 50% compared to the original book value or a decrease in the fair value below the initial recording for 60 consecutive months.
Financial assets are derecognised from the balance sheet when the right to receive the cash flows from the instrument ceases and the Group has transferred all the risks and rewards relating to the instrument and the relative control. When the fair value cannot be determined reliably, the cost value is maintained, adjusted for any losses in value. These losses for reduction in value may not be restated;

- *loans and receivables*: they are financial instruments, principally relating to loans and trade receivables, non-derivative, not listed on an active market, from which fixed or determinable payments are expected. They are stated as current assets except for amounts due beyond 12 months from the balance sheet date, which are classified as non-current. These assets are measured at amortised cost, on the basis of the effective interest rate (identified as their nominal value). When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable. Impairments are recognised to the income statement. When, in subsequent periods, the reasons for the write-down no longer exist, the value of the assets is restated up to the value deriving from the application of the amortised cost where no write-down had been applied.
  Financial assets are eliminated from the balance sheet when the right to receive the cash flows from the instrument ceases and the Group has transferred all the risks and rewards relating to the instrument and the relative control.
  In accordance with IAS 39.38 financial assets are measured at the trading date.

FINANCIAL LIABILITIES

Financial liabilities relate to loans, trade payables and other commitments to be paid, and are initially valued at fair value, net of directly allocated accessory costs, and subsequently at amortised cost, using the effective interest rate. When there is a change in the expected cash flows and it is possible to estimate them reliably, the values of liabilities are recalculated to reflect this change based on the new current value of the expected cash flows and of the internal yield initially determined.
The financial liabilities are classified under current liabilities, except when the Group has an unconditional right to defer their payment for at least 12 months after the balance sheet date.
Financial liabilities are eliminated from the balance sheet when they expire and the Group has transferred all the risks and rewards relating to the instrument.

FAIR VALUE HIERARCHY LEVELS

In relation to the financial assets and liabilities recorded in the balance sheet at Fair Value, IFRS 13 requires that these values are classified based on a hierarchy of levels which reflects the degree of input utilised in the determination of the Fair Value. The following levels are used:

level 1: determination of fair value based on prices listed on active markets for identical assets or liabilities which the entity can access at the valuation date;

level 2: determination of fair value based on other inputs than the listed prices included in "Level 1" but which are directly (prices) or indirectly (derivatives of prices) observable for the assets or liabilities;

level 3: determination of the fair value based on valuation models whose input is not observable for the assets or liabilities.

For information on the Fair Value hierarchy level, reference should be made to Note 32.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are accounted at fair value and include bank deposits and cash in hand, or rather those values that are available on demand at short notice, certain in nature and with no payment expenses.

Cash and cash equivalents in foreign currencies are valued at the year-end exchange rate.

SHAREHOLDERS' EQUITY

TREASURY SHARES

The costs incurred for the purchase of treasury shares are recorded as a reduction of shareholders' equity. The gains or losses deriving from a subsequent sale are recorded as net equity movements.

COSTS FOR SHARE CAPITAL INCREASES

The costs incurred for the stock exchange listing of the Parent Company Caltagirone Editore SpA, net of the relative tax effect, are recorded as a reduction of the shareholders' equity in a separate negative reserve.

EMPLOYEE BENEFITS

The liabilities relating to the benefits recognised to employees and paid on or after the employment period and relating to defined benefit plans (Employee Leaving Indemnity), net of any assets serving the plan, are determined on the basis of actuarial assumptions estimating the amount of the future benefits that the employees have matured at the balance sheet date. The liability is recognised on an accruals basis over the maturity period of the right.

In relation to the Employee leaving indemnity, following the amendments to Law No.296 of December 27th 2006 and subsequent Decrees and Regulations ("Pension Reform") issued in the first months of 2007, it is noted that:

- the employee leaving indemnity matured at December 31st 2006 continues to be considered as a defined benefit plan.
- the employee leaving indemnity matured from January 1st 2007, for Italian companies with a number of employees above 50, is considered a defined contribution plan.

The determination of the current value of the Group commitments is made by an independent expert using the projected unit credit method. Under this method, a future projection is made of the liability to determine the probable amount to be paid on the termination of employment and then discounted, to take into account the period of time which will pass before the actual payment. The calculation takes into account the employee leaving indemnity matured and is based on actuarial assumptions which principally relate to the interest rate, which reflects the market return of primary securities with maturities similar to those for bonds and the turnover of employees.

For the quota of the employee leaving indemnity allocated to the integrated pension or rather the INPS fund from the date of the option exercised by the employee, the Group is not a debtor of the employee indemnity provision matured after December 31st 2006, and therefore the actuarial calculation of the employee leaving indemnity excludes the component relating to future salary changes.

The actuarial gains and losses, defined as the differences between the carrying value of the liabilities and the current value of the Group commitments at the end of the period, due to changes in the actuarial parameters described above, are directly recorded to the Comprehensive Income Statement. The financial component is however recorded in the Income Statement, in the account financial charges.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised in respect of certain or probable losses or liabilities, the amount or due date of which could not be determined at year-end.

The Provisions for risks and charges are recorded when a legal or implicit obligation exists towards a third party that derives from a past event, and a payment of resources is probable in order to satisfy the obligation and this amount can be reliably estimated. When the financial effect of the time value of money is significant and the payment dates of the obligations can be estimated reliably, the provision is discounted using the estimated future cash flows at a pre-tax rate that reflects the current market assessment of the cost of money and, if appropriate, the specific risks of the obligation; the increase of the liability due to the passing of time is recorded as a financial charge.

In particular, the provisions for risks and charges relating to employee restructuring plans are recognised when at the balance sheet date the event which gives rise to the obligation is 'binding' as the Company, through the drawing up of a formal restructuring programme, has generated within interested third parties the valid expectations that the entity will implement the afore-mentioned programme.

GRANTS

The grants and contributions, from public entities and private third parties, are recognised at fair value when there is reasonable certainty that they will be received and that they will satisfy the conditions for their attainment. The grants received against specific expenses are recognised under other liabilities and credited to the Income Statement in the period in which the related costs mature.
The grants received against specific assets whose value is recorded under fixed assets are recorded under other liabilities and credited to the Income Statement in relation to the depreciation period to which the asset refers.
Operating grants are fully recognised to the Income Statement at the moment in which they satisfy the conditions for their recognition.

REVENUES

Revenues are recognised in accordance with the probability that the Group will receive economic benefits and the amount can be determined reliably. The revenues are recognised at the fair value of the amount received less returns, premiums and discounts. The revenues from the sale of goods are recognised when the significant risks and benefits of the ownership of the assets are transferred to the purchaser. In particular, the circulation revenues are recognised in relation to the number of copies issued by the balance sheet date, appropriately adjusted at the year-end to take into account returns based on historical data.
Revenues for services are recognised when the services are provided, with reference to the progress of completion of the activities. The advertising revenues are recognised based on the completion of the advertisement by the end of the year.

FINANCIAL INCOME AND EXPENSES

Financial income and charges are recognised in accordance with the accruals concept on the basis of the interest matured on the net value of the relative financial assets and liabilities utilising the effective interest rate, therefore utilising the rate which is financially equivalent to all the cash inflows and outflows which comprise an operation.

DIVIDENDS

The dividends are recorded when the right of the shareholders to receive the payment arises. The dividends and dividend payments on account payable to third parties are recorded as changes in shareholders' equity at the date in which the Shareholders' Meetings approves them.

INCOME TAXES

Current Income taxes for the period are determined on the basis of the taxable assessable income and in accordance with current fiscal law; in addition, the effects deriving from the implementation of the Group's national fiscal consolidation is applied. Deferred tax assets and liabilities are calculated on temporary differences between the balance sheet values and the corresponding values recognised for tax purposes, applying the expected tax when the differences are reversed, determined on the

basis of the current tax rates in force and in consideration of any expected changes relating to future years.
The recognition of deferred tax assets is made when their recovery is probable - that is when it is expected that there will be future assessable fiscal income sufficient to recover the asset, while deferred tax liabilities are recorded in every case.
The recovery of the deferred tax asset is reviewed at each balance sheet date.

EARNINGS/(LOSS) PER SHARE

BASIC

The basic earnings/(loss) per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares.

DILUTED

The diluted earnings per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares. In order to calculate the diluted earnings per share, the average weighted number of shares outstanding is adjusted assuming the conversion of all shares with potential dilution effect. The diluted earnings per share is not calculated in the case of losses, as the dilution effect would result in an improvement in the earnings per share.

RISK MANAGEMENT

The activities of Caltagirone Editore and its subsidiaries are subject to various financial risks: market risks (raw materials prices and the movements in listed equities held in portfolio), credit risk, exchange rate risk, interest rate risk and liquidity risk. The management of financial risks is undertaken through organisational directives which govern the management of these risks and the control of all operations which have importance in the composition of the financial and/or commercial assets and liabilities.
The Group does not have any derivative financial instruments, nor do specific financial risks exist in relation to price, credit or liquidity (other than that deriving from operating activities).

Market risk (price of raw materials-paper)
The Group is exposed to fluctuations in the price of paper - the principal raw material; this risk is managed through supply contracts with Italian and foreign companies with fixed prices and quantities for a maximum period of approximately 12 months, and through procurement from suppliers based in different geographic areas in order to avoid the risks related to an excessive concentration of suppliers and to obtain the most competitively priced supplies.

Price risk of the equity shareholdings
In relation to the risk of changes in the fair value of the equity shareholdings held as available for sale, the Group monitors the changes of share prices and for this reason constantly records the movements in the listed shares in portfolio. Based

on this data, the investment and divestment policies of the Group are defined with the objective to optimise medium and long-term cash flows, also considering the distribution of dividends from the shares in portfolio. The investment and divestment strategies of the equity investments are also considered in relation to the diversification of risk.

Credit risk

Receivables at year-end principally are of a commercial nature. In general, they are recorded net of any write-downs, calculated on the basis of the risk of non-fulfilment by the counterparty, determined considering the information available on the clients' solvency and historical insolvency data in relation to the varying expiry dates of receivables. Historically, there are no significant situations which are particularly problematic in relation to the solvency of the clients, as the policy of the Group is only to sell to clients after a prudent evaluation of their credit capacity and therefore within the established credit limits. Finally, no significant debtor positions were recorded which would equate to an excessive concentration of credit. On this basis, the credit risk to which the Group is exposed can be considered limited.

Currency risk

The Group had no currency risk exposure at December 31st 2016 as operating only in the Eurozone.

Interest rate risk

The interest rate risk relates to an uncontrolled increase of the charges deriving from variable interest rates on medium/long-term loans of Group companies. The interest rate risk to which the Group is exposed is considered limited in that the loans undertaken are contracted in Euro, which currently presents low interest rates following the monetary policies adopted by the central banks to counter the recession. In addition it should be considered that the variable interest rate loans mature in 2018.

Liquidity risk

Liquidity risk is linked to the difficulty in obtaining funds to cover commitments at a given moment. The Caltagirone Editore Group has access to its own liquidity which is in the form of short-term deposits and therefore easily accessible and highly liquid. This risk therefore is not significant for the Group.

Environment and security risk

Existing regulations and laws are rigorously applied to workplace health and security and hence govern this area of risk.

USE OF ESTIMATES

The preparation of the consolidated financial statements require the Directors to apply accounting principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates

and assumptions impact upon the amounts reported in the financial statements, such as the balance sheet, the consolidated income statement and the consolidated cash flow statement, and on the disclosures in the notes to the accounts. The final outcome of the accounts in the financial statements, which use the above-mentioned estimates and assumptions, may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and conditions upon which the estimates are based.

The accounting principles and accounts in the financial statements which require greater subjectivity in the preparation of the estimates and for which a change in the underlying conditions of the assumptions used may have a significant impact on the consolidated financial statements of the Group are as follows:

- Goodwill and other indefinite intangible assets;
- Write-down of fixed assets;
- Depreciation of tangible fixed assets;
- Deferred tax charge;
- Provisions for risks and charges;
- Allowance for doubtful accounts;
- Other write-down provisions;
- Employee benefits.

The estimates and assumptions are reviewed periodically and the effects of all variations recorded in the Income Statement or the Comprehensive Income Statement, when they relate only to that year. When the revision relates to both current and future periods (for example the revision of the useful life of fixed assets), the changes are recorded in the period in which the revision is made and in the relative future periods.

CHANGE OF ACCOUNTING PRINCIPLES, ERRORS AND CHANGE OF ESTIMATES

The accounting principles adopted are amended from one period to another only if the change is required by a standard and if this contributes to providing more reliable information on the effects of the operations on the balance sheet, income statement and cash flows of the enterprise.

The changes to the accounting standards are recorded retrospectively with the recording of the effect to net equity for the more remote periods reported. The other comparative amounts indicated for each period are adjusted as if the new standard had always been applied. The prospective approach is made only when it is impractical to reconstruct the comparative information.

The application of a new or amended accounting standard is accounted for in accordance with the requirements of the standard. If the standard does not permit a transition period, the change is accounted in accordance with the retrospective method, or if impractical, with the prospective method.

In the case of significant errors, the same method that is used for changes in accounting standards illustrated previously is applied. In the case of non-significant errors, these are accounted for in the income statement in the period in which they are noted.

Changes in estimates are accounted in accordance with the prospective method in the Income Statement in the period in which the change occurs only if impacting upon this latter or in the period in which the change occurs, and subsequent periods if the change also impacts upon future periods.

VALUE OF THE GROUP

The Stock Market capitalisation of Caltagirone Editore is currently lower than the net equity of the Group (Stock Market capitalisation at December 31st 2016 of Euro 92.5 million compared to a Group net equity of Euro 472.4 million). The share price was affected by the generally weak and highly volatile financial market conditions, which significantly differ from an assessment based on the Group's underlying fundamentals expressed by the value in use. While considering the complex economic environment, reflected also in the cash flow estimate and discounting rate estimate, the impairment test should consider the capacity to generate cash flows or the determination of specific fair values, rather than stock market values which also reflect developments not strictly related to the Group, with a particular short-term focus.

It should however be considered that the total value of cash and cash equivalents, of available-for-sale financial assets and the Newspaper Titles account for 98% of the Consolidated Net Equity. On measuring the Newspaper Titles at fair value less disposal costs, further gains emerged which exceed the value of Net Equity.

ASSETS

1. INTANGIBLE ASSETS WITH DEFINITE LIFE

Historical cost	Research & development	Patents	Trademarks and Concessions	Others	Total
01.01.2015	**762**	**1,533**	**1,672**	**5,688**	**9,655**
Increases	-	-	3	347	**350**
Decreases	-	-	-	-	**-**
31.12.2015	**762**	**1,533**	**1,675**	**6,035**	**10,005**
01.01.2016	**762**	**1,533**	**1,675**	**6,035**	**10,005**
Increases	-	37	30	388	**455**
Decreases	-	-	-	-	**-**
31.12.2016	**762**	**1,570**	**1,705**	**6,423**	**10,460**

Amortisation & loss in value	Research & development	Patents	Trademarks and Concessions	Others	Total
01.01.2015	**762**	**1,531**	**1,639**	**5,409**	**9,341**
Increases	-	2	8	258	**268**
Decreases	-	-	-	-	**-**
31.12.2015	**762**	**1,533**	**1,647**	**5,667**	**9,609**
01.01.2016	**762**	**1,533**	**1,647**	**5,667**	**9,609**
Increases	-	8	23	206	237
Decreases	-	-	-	-	**-**
31.12.2016	**762**	**1,541**	**1,670**	**5,873**	**9,846**
Net value					
01.01.2015	**-**	**2**	**33**	**279**	**314**
31.12.2015	**-**	**-**	**28**	**368**	**396**
31.12.2016	**-**	**29**	**35**	**550**	**614**

Euro thousands

At December 31st 2016, no Companies of the Group recorded the existence of inactive intangible assets or completely amortised still in use of significant value.
The amortisation rates used are shown below:

Category	Average rate
Development Costs	20.0%
Industrial patents and intel. property rights	26.5%
Trademarks, concessions and licenses	10.0%
Other	28.0%

2. INTANGIBLE ASSETS WITH INDEFINITE LIFE

The intangible assets with indefinite life, comprising of goodwill and newspaper titles, are not amortised, but annually subject to verifications to determine the existence of any loss in value (impairment test).
The table below shows the movements in the intangible assets with indefinite life:

Historical cost	Goodwill	Newspaper titles	Total
01.01.2015	**189,596**	**286,794**	**476,390**
Increases/Decreases	-	-	**-**
31.12.2015	**189,596**	**286,794**	**476,390**
01.01.2016	**189,596**	**286,794**	**476,390**
Increases/Decreases	-	-	**-**
31.12.2016	**189,596**	**286,794**	**476,390**
Write-downs	**Goodwill**	**Newspaper titles**	**Total**
01.01.2015	**123,222**	**35,891**	**159,113**
Increases	21,000	1,000	**22,000**
31.12.2015	**144,222**	**36,891**	**181,113**
01.01.2016	**144,222**	**36,891**	**181,113**
Increases	45,374	-	45,374
31.12.2016	**189,596**	**36,891**	**226,487**
Net value			
01.01.2015	**66,374**	**250,903**	**317,277**
31.12.2015	**45,374**	**249,903**	**295,277**
31.12.2016	**-**	**249,903**	**249,903**

Euro thousands

The breakdown of the balance relating to the newspaper titles is shown below:

	01.01.2015	Increases	Decreases	Write-downs	31.12.2015
Il Messaggero SpA	90,808	-	-	-	90,808
Il Mattino SpA	44,496	-	-	-	44,496
Quotidiano di Puglia SpA	16,031	-	-	(400)	15,631
Corriere Adriatico SpA	12,178	-	-	(600)	11,578
Il Gazzettino SpA *	87,387	-	-	-	87,387
Other minor newspaper titles	3	-	-	-	3
Total	**250,903**	**-**	**-**	**(1,000)**	**249,903**

	01.01.2016	Increases	Decreases	Write-downs	31.12.2016
Il Messaggero SpA	90,808	-	-	-	90,808
Il Mattino SpA	44,496	-	-	-	44,496
Quotidiano di Puglia SpA	15,631	-	-	-	15,631
Corriere Adriatico SpA	11,578	-	-	-	11,578
Il Gazzettino SpA *	87,387	-	-	-	87,387
Other minor newspaper titles	3	-	-	-	3
Total	**249,903**	**-**	**-**	**-**	**249,903**

Euro thousands

** In relation to Il Gazzettino, the value of the Newspaper Title, net of the theoretical tax effect on gains allocated on setting the acquisition price, appropriately adjusted following write-downs, is Euro 69.4 million*

In the previous years and in the current year, the Caltagirone Editore Group completed a number of organisational changes and corporate restructurings, as part of a process which has been under development for some time and involving the centralisation of Group operating and strategic decisions. These operations principally concerned the daily newspaper advertising agency activities, the distribution method of a number of local Group newspapers - in part the manner of content organization - the development and management of the digital business of all Group newspaper titles within a special purpose entity, in addition to the centralisation of a number of functions (goods and services procurement, technology and software development, printing and administration). These developments relate also to the operating decisions taken by the Group in response to the challenging marketplace which has emerged in recent years.
Close interdependencies were therefore generated, further strengthened in the three year period 2014-2016, between the various Group legal entities based on existing synergies, which can be fully traced through the adoption of a single aggregate financial statement which, among other issues, enables a single "reading" of the figures according to the effective operating manner of the newspaper titles and the dedicated advertising agency.
In relation to the valuation model utilised to establish the recoverability of the newspaper titles and goodwill, firstly a verification was carried out of the recoverability of the value of the individual Newspaper Titles in accordance with the

combined provisions of IAS 36 par. 10(b) and IAS 38 par. 108. Secondly, the recoverability of the goodwill of the CGU was verified based on a comparison between the Enterprise Value of the CGU and the Net Capital Employed, including the Newspaper Titles, of the CGU, in accordance with IAS 36 par. 10(a).
The impairment test on the individual Newspaper Titles was carried out on the basis of the recoverable value on the individual Newspapers calculated using a model in line with that used to calculate the third level fair value of IFRS 13 "Fair Value Measurement" ("IFRS 13").
The recoverable value of the Newspaper Titles was established through application of a method based on empirical multipliers. This method is one of the most widely used comparative methods in common practice for the calculation of the value of specific categories of intangible assets.
The model applied refers to, for the estimated recoverable value of the Newspaper Titles, revenue multipliers (separate for circulation and advertising revenue) and a corrective factor based on a multiple of the negative EBITDA values which may be generated by the Newspaper Title. The multiplier ratios of the revenue variables are calibrated on the basis of a "balance scorecard" which allocates a score for a series of qualitative factors contributing to the value of the newspaper titles (age, competition, circulation, price, editing, advertising attractiveness, future potential, advertising catchment area and profitability), based on an analysis of the general publishing sector performance and the competitive position of each newspaper title on its market, in addition to historical experience and managerial assessments of the qualitative profiles of each of the publishing titles. The determination of the revenue ratios based on the overall score from the balance scorecard, for each Newspaper Title, is based on an objective criteria on the basis of which, for all ratios, the allocation of a minimum score for all qualitative factors corresponds to the extreme low-end of the parametric range and the maximum score to the extreme upper range.
The underlying table reports the book values of the Newspaper Titles following the impairment tests on the Newspaper Titles.

Description	Newspaper titles *		
	2016	2015	Write-downs
Il Gazzettino SpA	69,399	69,399	-
Il Messaggero SpA	90,808	90,808	-
Il Mattino SpA	44,496	44,496	-
Quotidiano di Puglia SpA	15,631	15,631	-
Corriere Adriatico SpA	11,578	11,578	-

Euro thousands

** Newspapers are recognised net of the theoretical tax effect on gains allocated on setting of the acquisition price, appropriately adjusted for write-downs*

The results of the valuation method adopted to calculate an estimate of the value of the Newspaper Titles depends on the values allocated to the revenue and EBITDA variables, in addition to the values allocated to model ratios; therefore, changes in the values allocated to these totals have effects, possibly significant, on the value of the Publishing Titles.

In order to verify the recoverability of the CGU's goodwill, an economic and financial plan of the Caltagirone Editore Group was prepared using the financial statement accounts of the CGU comprising the publishing and advertising activities.
The estimate of the recoverable value of goodwill was carried out according to IAS 36. The value in use in 2016 was determined through the Discounted Cash Flow method, which is the discounting of the future operating cash flows generated by the CGU. In particular, the cash flows were estimated for a period of 5 years and then discounted based on the cost of capital of the CGU (WACC). A terminal value representing the projections of the CGU's revenue capacity, calculated under the perpetual return model, was added to this value. A growth rate of zero was applied for the calculation of the terminal value. The calculation of the impairment test, based on the future cash flows estimated by Management and approved by the Board of Directors, took into account the expected performance for 2017. In addition, for subsequent years, specific performance estimates were drawn up, taking account of the general and market environment as impacted by the current crisis, in addition to the resultant changed operating conditions. In this regard, the forecasts made in the previous year were revised also on the basis of the 2016 figures.
In particular it should be noted that the reorganisation actions and costs containment programmes implemented by management over a number of years have always achieved results above those expected. On the other hand, the performance of the advertising market and the newspaper circulation figures, due to the extended period of the crisis together with the extraordinary digital information revolution, have resulted in greater and prolonged difficulties compared to those forecast by all of the main operators.
Therefore, the expected cash flows utilised in the model were calculated based on the 2017 budget and the 2018-2021 plan and represent the best estimate of the amounts and timing for which the future cash flows are expected to occur based on the long-term plan, which was reviewed and updated in 2016 also to take account of the matters outlined above and of the differences between the previous plan and the 2016 results. The operating costs considered in the expected cash flows were also determined based on management estimates for the coming five years and take account of the positive effects of the restructuring plan already in place.
The underlying table reports the principal parameters used in the goodwill impairment test.

Description	Goodwill			Tax rate		WACC *		G-rate **		Explicit period cash flows
	2016	2015	Write-downs	2016	2015	2016	2015	2016	2015	
Value	-	45,374	(45,374)	28.82%	28.82%	6.50%	6.70%	-	-	5 years

Euro thousands

* *The WACC represents the average weighted cost of capital of the entity taking into account the specific risks relating to the operating sectors considered. This parameter is considered net of fiscal effect and takes account of interest rate movements*

** *The g-rate concerns the expected growth rate in order to calculate the "Terminal Value"*

In accordance with IAS 36, an impairment test was carried out on the carrying value of goodwill and the newspaper titles according to the methods described previously. The result, also confirmed by valuations made by an independent expert, was a total write-down of the CGU's goodwill, amounting to Euro 45.4 million.
Further to the impairment models utilised in valuing goodwill, for the estimate of the effective value of the newspapers` intangible assets, elements which lie outside the typical economic considerations are also considered and which relate to the number of readers and the circulation on the market, issues which determine the effective value of the newspaper and the price.

3. PROPERTY, PLANT AND EQUIPMENT

Historical cost	Land	Buildings	Plant and machinery	Commercial and industrial equipment	Other assets	Assets in progress	Total
01.01.2015	**8,838**	**51,323**	**97,687**	**860**	**22,012**	**-**	**180,720**
Increases	-	3	75	3	447	16	**544**
Decreases	-	-	(142)	(4)	(160)	-	**(306)**
31.12.2015	**8,838**	**51,326**	**97,620**	**859**	**22,299**	**16**	**180,958**
01.01.2016	**8,838**	**51,326**	**97,620**	**859**	**22,299**	**16**	**180,958**
Increases	-	-	103	-	535	2,024	**2,662**
Decreases	-	-	-	(45)	(63)	-	**(108)**
Write-downs	-	-	(70)	-	-	-	**(70)**
31.12.2016	**8,838**	**51,326**	**97,653**	**814**	**22,771**	**2,040**	**183,442**
Depreciation & loss in value	**Land**	**Buildings**	**Plant and machinery**	**Commercial and industrial equipment**	**Other assets**	**Assets in progress**	**Total**
01.01.2015	**-**	**22,495**	**85,110**	**809**	**20,720**	**-**	**129,134**
Increases	-	1,562	4,199	32	628	-	**6,421**
Decreases	-	-	(142)	(4)	(157)	-	**(303)**
31.12.2015	**-**	**24,057**	**89,167**	**837**	**21,191**	**-**	**135,252**
01.01.2016	**-**	**24,057**	**89,167**	**837**	**21,191**	**-**	**135,252**
Increases	-	1,561	4,203	18	459	-	**6,241**
Decreases	-	-	-	(45)	-	-	**(45)**
31.12.2016	**-**	**25,618**	**93,370**	**810**	**21,650**	**-**	**141,448**
Net value							
01.01.2015	**8,838**	**28,828**	**12,577**	**51**	**1,292**	**-**	**51,586**
31.12.2015	**8,838**	**27,269**	**8,453**	**22**	**1,108**	**16**	**45,706**
31.12.2016	**8,838**	**25,708**	**4,283**	**4**	**1,121**	**2,040**	**41,994**

Euro thousands

The account "Buildings" includes some facilities and offices for the printing of the newspapers.
The account "Plant and machinery" is substantially composed of the presses belonging to Group publishing Companies.
The account "Other assets" includes, in addition to computers, servers and network appliances, leasehold improvements and restructuring relating to rented offices. Depreciation is calculated based on the duration of the contract, which is lower than the useful life of the asset.
The assets mentioned above are assets not of significant value and are still in use due to the ordinary maintenance carried out in the course of the year and previous years. No financial expenses were capitalised.
The book value of plant and machinery provided as guarantees on liabilities amounts to Euro 2.8 million. For further information, reference should be made to Note 15.

4. EQUITY INVESTMENTS VALUED AT EQUITY

	01.01.2015	Increases/(Decreases) to Income Statement	Revaluations/ Write-downs	Increases/ (Decreases)	Other changes	31.12.2015
Rofin 2008 Srl	3	-	-	-	-	3
Total	**3**	**-**	**-**	**-**	**-**	**3**

	01.01.2016	Increases/(Decreases) to Income Statement	Revaluations/ Write-downs	Increases/ (Decreases)	Other changes	31.12.2016
Rofin 2008 Srl	3	-	-	-	(1)	2
Total	**3**	**-**	**-**	**-**	**(1)**	**2**

Euro thousands

The latest key balance sheet data relating to this investment is summarised below:

Investments in associated companies	Registered office	Share capital	Assets	Liabilities	Revenues	Shareholders' Equity	Net result	% held
Rofin 2008 Srl	Rome	10	8	1	-	7	(2)	30.00%

Euro thousands

5. EQUITY INVESTMENTS AND NON-CURRENT SECURITIES

Equity investments and non-current securities	01.01.2015	Increases/ (Decreases)	Write-downs	Fair value change	31.12.2015
Investments in other companies valued at cost	1,303	100	(61)	-	1,342
Investments in other companies available-for-sale	134,868	5,605	-	(6,543)	133,930
Total	**136,171**	**5,705**	**(61)**	**(6,543)**	**135,272**

Equity investments and non-current securities	01.01.2016	Increases/ (Decreases)	Write-downs	Fair value change	31.12.2016
Investments in other companies valued at cost	1,342	(124)	-	-	1,218
Investments in other companies available-for-sale	133,930	(28,031)	-	(25,415)	80,484
Total	**135,272**	**(28,155)**	**-**	**(25,415)**	**81,702**

Euro thousands

The breakdown of the account investments in other companies valued at cost is as follows:

Investments valutate al costo	%	01.01.2015	Increases/ (Decreases)	Write-downs	31.12.2015
Euroqube SA in liquidazione	14.82	52	-	(52)	-
Ansa Scarl	6.71	1,166	-	-	1,166
E-Care SpA	0.59	27	-	(9)	18
Other minor	-	58	100	-	158
Total	**-**	**1,303**	**100**	**(61)**	**1,342**

Investments in other companies	%	01.01.2016	Increases/ (Decreases)	Write-downs	31.12.2016
Ansa Scarl	8.7	1,166	32	-	1,198
E-Care SpA	0.59	18	-	(18)	-
Other minor	-	158	(138)	-	20
Total	**-**	**1,342**	**(106)**	**(18)**	**1,218**

Euro thousands

The company ANSA is the leading news agency in Italy and a leader worldwide; ANSA is a cooperative of 34 members, including the leading publishers of national newspapers, created with a mission to publish and circulate news.
The investments in other companies are valued at fair value or, where the development plans are not available, at cost, adjusting for impairments where present.
During the year, no impairment indicators were identified and therefore no impairment test was carried out.
According to the information held by the Group therefore, no indications exist that the cost differs significantly from the fair value.

The breakdown of the account Investments in other companies AFS is as follows:

AFS Investments	01.01.2015	Increases	Decreases	Share capital increases	Fair value change	31.12.2015
Assicurazioni Generali SpA	96,900	-	-	-	(456)	96,444
UniCredit SpA	37,968	12,142	(7,400)	863	(6,087)	37,486
Total	**134,868**	**12,142**	**(7,400)**	**863**	**(6,543)**	**133,930**

AFS Investments	01.01.2016	Increases	Decreases	Share capital increases	Fair value change	31.12.2016
Assicurazioni Generali SpA	96,444	-	-	-	(15,960)	80,484
UniCredit SpA	37,486	-	(28,870)	839	(9,455)	-
Total	**133,930**	**-**	**(28,870)**	**839**	**(25,415)**	**80,484**

Euro thousands

Number	01.01.2015	Increases	Decreases	Share capital increases	31.12.2015
Assicurazioni Generali SpA	5,700,000	-	-	-	5,700,000
UniCredit SpA	7,116,666	2,183,334	(2,146,000)	146,000	7,300,000

	01.01.2016	Increases	Decreases	Share capital increases	31.12.2016
Assicurazioni Generali SpA	5,700,000	-	-	-	5,700,000
UniCredit SpA	7,300,000	-	(7,617,391)	317,391	-

In the year, Unicredit SpA distributed a dividend through the allocation of 317,391 newly-issued shares (as an alternative to cash distribution), for a value of Euro 839 thousand. In addition, 7,617,391 Unicredit SpA shares were sold on the market for Euro 16.6 million, with a loss of Euro 12.3 million.
Fair value measurement of these investments at December 31, 2016 was recorded to the Comprehensive Income Statement and in a specific Equity reserve; the change in the year, amounting to Euro 25.2 million, net of the relative tax effect and including the release of Euro 9.3 million for the sale of Unicredit shares, resulted in a final negative reserve of Euro 5.5 million.

The changes in the fair value reserve are reported below:

	01.01.2015	Increases	Decreases	31.12.2015
Fair value reserve	26,515	-	(6,542)	19,973
Tax effect	(375)	110	-	(265)
Fair value reserve, net of tax effect	**26,140**	**110**	**(6,542)**	**19,708**
Changes in the year				**(6,432)**

	01.01.2016	Increases	Decreases	31.12.2016
Fair value reserve	19,973	-	(25,415)	(5,442)
Tax effect	(265)	254	-	(11)
Fair value reserve, net of tax effect	**19,708**	**254**	**(25,415)**	**(5,453)**
Changes in the year				**(25,161)**

Euro thousands

In relation to the disclosure required by IFRS 13, concerning the so-called "hierarchy of fair value", the shares available for sale belong to level one, as concerning financial instruments listed on an active market.

6. OTHER NON-CURRENT ASSETS

The account, amounting to Euro 119 thousand, principally relates to receivables for deposits due within five years.

7. DEFERRED AND CURRENT INCOME TAXES

The deferred taxes refer to temporary differences between the values recorded in the financial statements and the corresponding values recognised for tax purposes.

The movements are shown below of the deferred tax assets and liabilities:

Deferred tax assets	01.01.2015	Provisions	Utilisations	Change in tax rate	Other changes	31.12.2015
Tax losses carried forward	39,533	2,366	(530)	(4,842)	-	36,527
Provision for risks and charges	2,561	274	(750)	(169)	-	1,916
Doubtful debt provision	3,024	425	(646)	(304)	-	2,499
Others	2,633	189	(146)	(273)	(120)	2,283
Total	**47,751**	**3,254**	**(2,072)**	**(5,588)**	**(120)**	**43,225**

Deferred tax liabilities	01.01.2015	Provisions	Utilisations	Change in tax rate	Other changes	31.12.2015
Fair value intangible & tangible assets	23,614	-	(127)	(2,632)	-	20,855
Diff. accounting depreciation	42,285	2,059	(1,781)	(4,340)	-	38,223
Others	383	1	(1)	-	(107)	276
Total	**66,282**	**2,060**	**(1,909)**	**(6,972)**	**(107)**	**59,354**
Net deferred tax liability	**(18,531)**	**1,194**	**(163)**	**1,384**	**(13)**	**(16,129)**

Deferred tax assets	01.01.2016	Provisions	Utilisations	Change in tax rate	Other changes	31.12.2016
Tax losses carried forward	36,527	3,548	(599)	95	-	39,571
Provision for risks and charges	1,916	1,034	(497)	(2)	-	2,451
Doubtful debt provision	2,499	393	(578)	(42)	-	2,272
Others	2,283	1,025	(127)	(8)	(103)	3,070
Total	**43,225**	**6,000**	**(1,801)**	**43**	**(103)**	**47,364**

Deferred tax liabilities	01.01.2016	Provisions	Utilisations	Change in tax rate	Other changes	31.12.2016
Fair value intangible & tangible assets	20,855	-	(127)	-	-	20,728
Diff. accounting depreciation	38,223	2,060	(1,610)	-	-	38,673
Others	276	13	(4)	-	(267)	18
Total	**59,354**	**2,073**	**(1,741)**	**-**	**(267)**	**59,419**
Net deferred tax liability	**(16,129)**	**3,927**	**(60)**	**43**	**164**	**(12,055)**

Euro thousands

The increase of the deferred tax assets is principally due to the tax losses in the year.

Based on forecasts, it is considered that the Group will have, in the coming years, sufficient assessable income to recover the deferred tax assets recorded in the financial statements at December 31st 2016, taking account also deferred tax assets on assessable temporary differences to partially cover tax losses.

The deferred tax liability mainly relates to temporary timing differences on amortisation and depreciation.

The calculation of deferred tax assets and liabilities took account of the

reduction in the IRES rate from 27.5% to 24% from the tax period subsequent to December 31st 2016, under the 2016 Stability Law (Law No. 208 of December 28th 2015).
The other changes in the deferred tax assets and liabilities include the tax effects on the fair value of the investments and the actuarial losses recorded directly to the Comprehensive Income Statement.
The net position for income taxes, represented by the payments on account and other tax credits, net of income taxes payable, is calculated as follows:

	31.12.2016	31.12.2015
Receivables for direct taxes	319	1,912
Reimburese. request of direct taxes	14	38
IRES/IRAP/substitute taxes	(115)	(510)
Total	**218**	**1,440**

Euro thousands

The income taxes for the year are as follows:

	2016	2015
Current income taxes	100	248
Prior year taxes	1,584	3,028
Current income taxes	**1,684**	**3,276**
Provision for deferred tax liabilities	2,073	2,060
Utilisation of deferred tax liabilities	(1,741)	(1,909)
Change in tax rate	-	(6,972)
Deferred tax charge	**332**	**(6,821)**
Recording of deferred tax assets	(6,000)	(3,254)
Utilisation of deferred tax assets	1,801	2,072
Change in tax rate	(43)	5,588
Deferred tax income	**(4,242)**	**4,406**
Total income taxes	**(2,226)**	**861**
Current and deferred IRES tax	(4,368)	(2,868)
Current and deferred IRAP tax	558	701
Prior year taxes	1,584	3,028
Total income taxes	**(2,226)**	**861**

Euro thousands

The current income taxes comprise only IRAP taxes.
The analysis of the difference between the theoretical IRES and actual tax rates are as follows:

2015	Assessable	Amount	Effective rate
Loss before taxes	**(19,270)**	**(5,299)**	**27.5%**
Permanent differences increase (decrease):			
Dividends		(893)	
Write-down of investments		17	
Non-deductible costs		395	
Rate adjustment		(1,384)	
Write-down of intangible assets with indefinite life		6,050	
Other permanent differences		(1,753)	
Current and deferred IRES tax		**(2,868)**	**14.9%**

2016	Assessable	Amount	Effective rate
Loss before taxes	**(64,665)**	**(17,783)**	**27.5%**
Permanent differences increase (decrease):			
Dividends		(1,072)	
Write-down of investments		-	
Non-deductible costs		475	
Rate adjustment		(43)	
Write-down of intangible assets with indefinite life		12,478	
Loss on disposal of investments		2,049	
Other permanent differences		(472)	
Current and deferred IRES tax		**(4,368)**	**6.8%**

Euro thousands

8. INVENTORIES

Inventories at December 31st 2016 amount to Euro 1.7 million (Euro 2.3 million at December 31st 2015) and consist exclusively of raw materials (principally paper and ink), ancillary and consumables.
The change of inventory recorded in the income statement amounts to a decrease of Euro 786 thousand and is included in the account Raw material costs (see Note 20).
Inventories are measured at the lower of the purchase price, calculated using the weighed average cost method, and the realisable value. The net realisable value of inventories is in line with that recognised in the financial statements.
There is no inventory provided as a guarantee on liabilities.

9. TRADE RECEIVABLES

The breakdown is as follows:

	31.12.2016	31.12.2015
Trade receivables	61,937	65,404
Doubtful debt provision	(11,080)	(10,774)
Trade receivables	**50,857**	**54,630**
Receivables from related parties	699	558
Advances to suppliers	-	49
Trade receivables beyond 12 months	-	1,959
Doubtful debt provision beyond 12 months	-	(1,580)
Total trade receivables	**51,556**	**55,616**

Euro thousands

Trade receivables principally relate to Group advertising revenues from the advertising agency Piemme SpA (Euro 45.1 million).
The doubtful debt provision was utilised in the year for Euro 1.5 million and increased by Euro 1.8 million for the provisions made in the year.
The general valuation criteria of receivables, considered financial assets within the scope of IAS 39, are illustrated in the accounting policies.
In particular, receivables, as considered financial assets, are measured at amortised cost, on the basis of the effective interest rate (identified as their nominal value).
When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable. Impairments are recognised to the income statement.
When, in subsequent periods, the reasons for the write-down no longer exist, the value of the assets is restated up to the value deriving from the application of the amortised cost where no write-down had been applied.
The value of trade receivables, adjusted by the relative doubtful debt provision, approximates their fair value.
The estimate of the Doubtful debt provision is made, in consideration of the highly fragmented nature of the debt positions, through an assessment of the maturity of receivables by similar type, referring to historical-statistical analysis on the probability of recovery. The write-down process requires however that individual commercial positions of significant amounts and for which an objective solvency condition is apparent are subject to individual write-downs.
The estimate of the Doubtful debt provision of Piemme SpA and of the Caltagirone Editore Group, although mainly concerning overdue receivables, was made on a reasonably conservative basis, covering also any potential losses on receivables not in dispute.
The table below shows the ageing of the trade receivables at December 31st 2015 and at December 31st 2016.

	31.12.2016	31.12.2015
Not yet due	**26,980**	**28,441**
1-30 days	5,222	5,608
30-60 days	3,385	4,001
60-90 days	1,988	1,953
Over 90 days	24,362	25,401
Overdue	**34,957**	**36,963**
Total Gross Value	**61,937**	**65,404**
Doubtful debt provision	(11,080)	(10,774)
Trade receivables	**50,857**	**54,630**

Euro thousands

10. OTHER CURRENT ASSETS

The breakdown is as follows:

	31.12.2016	31.12.2015
Employee receivables	101	426
VAT receivables	339	48
Other receivables	1,205	1,516
Prepaid expenses	356	478
Total other current assets	**2,001**	**2,468**

Euro thousands

11. CASH AND CASH EQUIVALENTS

The breakdown is as follows:

	31.12.2016	31.12.2015
Bank and postal deposits	150,629	157,603
Bank and postal deposits with related parties	351	172
Cash in hand and similar	50	38
Total cash and cash equivalents	**151,030**	**157,813**

Euro thousands

The reduction in cash and cash equivalents at December 31st 2016 is essentially due to the reduced debt exposure to the credit institutions net of the dividends received on holdings in listed companies and the sale on the market of listed shares.
The average interest rate on the bank deposits was 0.2% (0.6% in 2015).
In relation to the variable rate of liquidity, an annual interest rate increase of 1%, at like-for-like terms, would have a positive impact on the net profit of approx. Euro 1.5 million. A decrease in interest rates of the same level would have a corresponding negative impact.
Bank and postal deposits with related parties refer principally to the positions with Unicredit SpA.

SHAREHOLDERS' EQUITY & LIABILITIES

12. SHAREHOLDERS' EQUITY

	31.12.2016	31.12.2015
Share Capital	125,000	125,000
Listing charges	(18,865)	(18,865)
Treasury shares	(2,063)	(1,844)
Fair Value reserve	(5,453)	19,708
Other Reserves	436,154	456,063
Net loss	(62,439)	(20,131)
Group net equity	**472,334**	**559,931**
Minority interest N.E.	-	-
Total net equity	**472,334**	**559,931**

Euro thousands

The Share capital amounts to Euro 125 million, consisting of 125 million ordinary shares at a nominal value of Euro 1 each.
All of the ordinary shares issued are fully paid-in. There are no shares subject to guarantees or restrictions on the distribution of dividends. At December 31st 2016, Caltagirone Editore SpA had 2,127,302 treasury shares in portfolio, comprising 1.702% of the share capital for a value of Euro 2,063,010.
The fair value reserve (for greater details reference should be made to Note 5), negative for Euro 5.5 million, includes the net decrease in the year of Euro 25.1 million (including the release of Euro 9.3 million for the sales of UniCredit shares), concerning the market value adjustments of available-for-sale investments.
The other reserves include:

- Share premium reserve of Euro 480.7 million;
- Legal reserve of the Parent Company of Euro 25 million, set up pursuant to Article 2430 of the Civil Code;
- Treasury Shares reserve of Euro 2.1 million;
- Consolidation reserves, consisting of the higher value of the Group's share of net equity compared to the cost of some equity investments and retained earnings for a total negative amount of Euro 87.6 million.
- The actuarial losses reserve relating to the application of IAS 19 for post-employment benefits, negative for Euro 2.1 million, net of the relative tax effect. The increase in the year of Euro 300 thousand is essentially due to the change in the discount rate utilised in the valuation of the provision;
- Reserves relating to first-time application of IAS/IFRS of Euro 16.9 million;
- Other reserves of the Parent Company of Euro 1.2 million.

13. PERSONNEL

Post-employment benefits and employee provisions

Post-employment benefits in the Group companies with less than 50 employees represents a liability relating to the benefits recognised to employees and paid either on termination or after employment service. This liability, together with the senior management indemnity provision, is a defined benefit plan and therefore is determined applying the actuarial method.

In the Group companies with over 50 employees, in accordance with the pension reform, the employee leaving indemnity matured at December 31st 2006 represents the payable matured by the company to be paid at the end of the employment service. This payable is valued applying actuarial and financial techniques without however considering the future salaries of the employee. The assumptions relating to the determination of the plan are summarised in the table below:

	31.12.2016	31.12.2015
Annual technical discounting rate	1.30%	2.00%
Annual inflation rate	1.50%	1.50%
Annual increase in leaving indemnity	2.62%	2.62%
Annual increase in salaries	3.00%	3.00%

Values in %

The movements in the year are as follows:

	2016	2015
Net liability at beginning of year	**24,745**	**28,011**
Current cost in the period (service costs)	180	138
Interest charge (interest cost)	425	428
Actuarial gains (losses)	(314)	(585)
(Services paid)	(2,465)	(3,217)
Other changes	(1,178)	(30)
Net liability at end of year	**21,393**	**24,745**

Euro thousands

The actuarial loss relates mainly to the change in the technical annual discounting rate. In relation to the sensitivity analyses, an increase of 0.5% to the discount rate utilised may prompt a reduction in the net liabilities of the provision of Euro 742 thousand; a similar decrease in the rate may result in an increased net liability of Euro 789 thousand.

The comparison between the employee benefit provision and the liability in accordance with Italian regulations is as follows:

	31.12.2016	31.12.2015
Nominal value of the provision	20,080	23,126
Actuarial adjustment	1,313	1,619
Total DBO	**21,393**	**24,745**

Euro thousands

As illustrated by the movement, the change between the liability determined in accordance with Italian regulations and IFRS is essentially due to the change in the discount rate utilised.

Employee numbers and cost

	2016	2015
Wages and salaries	45,648	48,322
Social security charges	15,836	17,321
Post-employment benefit provision	180	138
Post-employment benefit to Complementary Fund	3,074	3,451
Other costs	5,050	3,658
Total labour costs	**69,788**	**72,890**

Euro thousands

The account wages and salaries and social charges reflects the benefits of the restructuring and reorganisation plans undertaken in previous years, under which the workforce was re-sized (see also the average workforce reported below).
Other costs include charges concerning labour disputes, leaving incentives and the social security institution contributions from the restructuring in the year of approx. Euro 4.5 million.
The following table shows the average number of employees by category:

	31.12.2016	31.12.2015	Average 2016	Average 2015
Executives	22	22	22	22
Managers & white collar	215	238	215	243
Journalists	411	431	416	438
Print workers	98	110	100	116
Total	**746**	**801**	**753**	**819**

14. PROVISIONS FOR RISKS AND CHARGES

	Legal disputes	Agents' indemnity	Other risks	Total
Balance at January 1st 2015	**7,570**	**182**	**1,161**	**8,913**
Provisions	452	187	37	**676**
Utilisations	(381)	(182)	(746)	**(1,309)**
Balance at December 31st 2015	**7,641**	**187**	**452**	**8,280**
of which:				
Current portion	*2,194*	*-*	*452*	***2,646***
Non-current portion	*5,447*	*187*	*-*	***5,634***
Total	**7,641**	**187**	**452**	**8,280**
Balance at January 1st 2016	**7,641**	**187**	**452**	**8,280**
Provisions	647	-	3,904	**4,551**
Utilisations	(958)	(15)	(60)	**(1,033)**
Reclassified	520	-	-	**520**
Balance at December 31st 2016	**7,850**	**172**	**4,296**	**12,318**
of which:				
Current portion	*2,630*	*-*	*4,296*	***6,926***
Non-current portion	*5,220*	*172*	*-*	***5,392***
Total	**7,850**	**172**	**4,296**	**12,318**

Euro thousands

The provision for legal disputes refers principally to the provisions made by the companies Il Messaggero SpA, Il Mattino SpA and Il Gazzettino SpA against liabilities deriving from damages requested for slander and from employees. The provision was estimated taking into consideration the nature of the business, based on experience in similar cases and on all the information available at the date of preparation of these consolidated financial statements, considering the difficulty in estimating charges and the timing connected to each single case.

The agent's indemnity provision, which reflects the prudent increase in the risk connected to the termination of the mandate conferred to agents in accordance with law, refers to the company Piemme SpA, advertising agency.

The provisions for other risks principally include charges relating to the restructuring plans of Il Messaggero SpA and Il Gazzettino SpA; the relative provisions are included in labour costs.

15. FINANCIAL LIABILITIES

	31.12.2016	31.12.2015
Bank payables	3,066	8,306
Non-current financial liabilities	**3,066**	**8,306**
Bank payables	5,565	15,985
Payables to related companies	2,737	5,337
Short-term portion of non-current loans	5,232	5,195
Current financial liabilities	**13,534**	**26,517**

Euro thousands

The due dates of the financial liabilities are as follows:

	31.12.2016	31.12.2015
Within 3 months	8,302	21,322
Between 3 months & 1 year	5,232	5,195
Current financial liabilities	**13,534**	**26,517**
Between 1 and 2 years	3,066	5,235
Between 2 and 5 years	-	3,071
Due beyond 5 years	-	-
Non-current financial liabilities	**3,066**	**8,306**
Total financial payables	**16,600**	**34,823**

Euro thousands

The interest rates at the balance sheet date on the financial liabilities are as follows:

	2016	2015
Non-current financial liabilities		
Bank payables	0.3	0.5
Current financial liabilities		
Bank payables	3.0	3.4
Short-term portion of non-current loans	0.3	0.5

Values in %

The non-current financial liabilities to banks are represented by a loan to finance the construction in 2005 of a printing centre located at Torre Spaccata in Rome. The loan is at a variable interest rate (Euribor at 6 months + spread 0.5%), amounting to Euro 60 million, granted by Intesa Sanpaolo SpA to the company S.E.M. SpA, incorporated in 2006 into Il Messaggero SpA. The first capital repayment was made in December 2005 while the final repayment is due in June 2018. In addition, a special privileged guarantee was given on the factory assets amounting to Euro 60 million, in addition to a bank surety of the Parent Company of Euro 37.9 million.

In relation to the variable rate of financial liabilities, an annual interest rate increase of 1%, at like-for-like terms, would have a negative impact on the net profit of approx. Euro 166 thousand. A decrease in interest rates of the same level would have a corresponding positive impact.
The value of the financial liabilities approximates their fair value.

16. OTHER LIABILITIES

	31.12.2016	31.12.2015
Other non-current liabilities		
Other payables	90	113
Deferred income	1,468	1,619
Total	**1,558**	**1,732**
Other current liabilities		
Social security institutions	5,607	6,668
Employee payables	5,377	6,126
VAT payables	246	288
Withholding taxes	2,981	3,351
Other payables	7,784	9,168
Payables to related companies	16	29
Deferred income	496	575
Total	**22,507**	**26,205**

Euro thousands

Other payables include Euro 4.9 million as the amount available to the Board of Directors in accordance with Article 25 of the by-laws which establishes the allocation to this account of 2% of net profit.

17. TRADE PAYABLES

	31.12.2016	31.12.2015
Supplier payables	21,711	22,475
Payables to related companies	395	2,103
Total	**22,106**	**24,578**

Euro thousands

Trade payables principally refer to operating subsidiaries in the publishing sector and relate to the purchase of raw materials, services and capital expenditures. The book value of the trade payables reported above approximates their fair value.
There are no payables due over 12 months.

INCOME STATEMENT

18. REVENUES FROM SALES AND SERVICES

	2016	2015
Circulation revenues	59,312	64,982
Promotions	602	632
Advertising	87,108	91,271
Total revenues from sales and services	**147,022**	**156,885**
of which related parties	*894*	*796*

Euro thousands

Sales and advertising revenues of the principal newspaper titles, both entirely realised in Italy, have been affected by the economic-financial crisis of recent years. Revenues are commented upon in detail in the Directors' Report, to which reference is made.

19. OTHER OPERATING REVENUES

	2016	2015
Grants related to income	4	4
Recovery of expenses from third parties	566	1,479
Capital grant contributions	17	70
Rent, leases and hire charges	80	82
Subsidised tariffs	263	204
Other revenue	4,395	4,309
Total other operating revenues	**5,325**	**6,148**
of which related parties	*14*	*98*

Euro thousands

20. RAW MATERIAL COSTS

	2016	2015
Paper	10,870	12,340
Other publishing materials	3,018	3,312
Change in inventories of raw materials and goods	786	30
Total raw materials costs	**14,674**	**15,682**

Euro thousands

For further details on the cost movements of raw materials, reference should be made to the Directors' Report.

21. OTHER OPERATING COSTS

	2016	2015
Editorial services	13,585	13,891
Transport and delivery	8,165	8,631
Outside contractors	3,502	4,684
Promotions	538	530
Advertising & promotions	1,856	1,434
Commissions and agent costs	6,230	6,705
Utilities and power	2,310	2,313
Maintenance and repair costs	3,331	2,637
Consulting	3,553	3,044
Purchase of advertising space third parties	5,154	4,147
Directors and statutory auditors fees	1,875	2,092
Insurance, postal and telephone	862	906
Cleaning and security	1,024	578
Subcontractors and other services	2,577	2,976
Independent auditors fees	306	303
Other costs	5,030	6,323
Total service costs	**59,898**	**61,194**
Rental	5,449	5,774
Hire	723	753
Others	45	53
Total rent, lease and hire costs	**6,217**	**6,580**
Other operating charges	3,619	3,438
Others	72	115
Total other costs	**3,691**	**3,553**
Total other operating costs	**69,806**	**71,327**
of which related parties	*4,972*	*5,167*

Euro thousands

22. AMORTISATION, DEPRECIATION, PROVISIONS & WRITE-DOWNS

	2016	2015
Amortisation of intangible assets	237	268
Depreciation of property, plant & equipment	6,241	6,421
Provision for risks and charges	697	549
Write-down of intangible assets with indefinite life	45,374	22,000
Doubtful debt provision	1,765	1,847
Other write-downs	70	-
Total amortisation, depreciation, provisions & write-downs	**54,384**	**31,085**

Euro thousands

The depreciation of tangible fixed assets principally relates to the depreciation on printing and rotary plant.
In relation to the write-down of intangible assets with indefinite life and the doubtful debt provision, reference should be made respectively to Notes 2 and 9.

23. NET FINANCIAL RESULT AND SHARE OF INVESTMENTS VALUED UNDER EQUITY METHOD

	2016	2015
Result of investments held at equity		
Rofin 2008 Srl	-	-
Total result of investments held at equity	**-**	**-**
Financial income		
Dividends	4,943	4,283
Gains on investments	-	4,484
Income from derivatives	-	990
Interest income from bank deposits	411	833
Other financial income	81	123
Total financial income	**5,435**	**10,713**
Financial charges		
Loss on sale of investments	(12,271)	-
Write-down of investments	-	(61)
Interest on mortgage loans	(67)	(133)
Interest on bank accounts	(775)	(653)
Interest on leaving indemnity	(425)	(428)
Banking commissions and charges	(198)	(193)
Exchange losses	-	(186)
Charges on derivatives	-	(312)
Other financial expenses	(59)	(66)
Total financial charges	**(13,795)**	**(2,032)**
Financial result	**(8,360)**	**8,681**

Euro thousands

The dividends included in financial income relates to the shareholding in Assicurazioni Generali SpA for Euro 4.1 million and Unicredit SpA for Euro 0.8 million (dividend on 317,391 newly issued shares).
The loss on the sale of investments concerns the sale on the market of listed shares held in portfolio. For further information, reference should be made to Note 5.

24. EARNINGS PER SHARE

The basic earnings/(loss) per share is calculated by dividing the Group net result for the year by the weighted average number of ordinary shares outstanding in the year.

	2016	2015
Net Result	(62,439)	(20,131)
Number of ordinary shares outstanding (thousands)	123,045	123,414
Net earnings per share	**(0.507)**	**(0.163)**

The diluted earning per share is identical to the basic earnings per share as Caltagirone Editore SpA has only issued ordinary shares.
In 2016, no dividends were distributed.

25. OTHER CONSOLIDATED COMPREHENSIVE INCOME STATEMENT ITEMS

The breakdown of the other comprehensive income statement items, excluding the tax effects, is reported below:

	2016			2015		
	Gross value	Tax effect	Net value	Gross value	Tax effect	Net value
Actuarial gains/(losses) on post-employment benefits	311	(89)	222	585	(124)	461
Gain/(loss) from recalculation of AFS financial assets, net of tax effect	(25,415)	254	(25,161)	(6,542)	110	(6,432)

Euro thousands

26. TRANSACTIONS WITH RELATED PARTIES

The transactions of Group companies with related parties generally relate to normal operations and are regulated at market conditions. They principally relate to the exchange of goods, the provision of services, and the provision and use of financial resources by associated companies and subsidiaries excluded from the consolidation scope, as well as with other companies belonging to the Caltagirone Group or under common control.

There are no atypical or unusual transactions which are not within the normal business operations. The following tables report the values.

2015	Parent Company	Associated companies	Companies under common control	Other related parties	Total related parties	Total book value	% on total account items
Balance sheet transactions							
Trade receivables	4	-	83	471	**558**	**55,616**	1.0%
Cash and cash equivalents	-	-	-	172	**172**	**157,813**	0.1%
Trade payables	1,830	-	106	167	**2,103**	**24,578**	8.6%
Current financial liabilities	-	-	-	5,337	**5,337**	**26,517**	20.1%
Other current liabilities	-	-	-	29	**29**	**26,205**	0.1%
Income statement transactions							
Revenues	23	-	277	496	**796**	**156,885**	0.5%
Other operating revenues	-	-	98	-	**98**	**6,148**	1.6%
Other operating expenses	1,000	-	3,839	328	**5,167**	**71,327**	7.2%
Financial income	-	-	-	4,283	**4,283**	**10,713**	40.0%
Financial charges	-	-	-	258	**258**	**2,032**	12.7%

2016	Parent Company	Associated companies	Companies under common control	Other related parties	Total related parties	Total book value	% on total account items
Balance sheet transactions							
Trade receivables	4	-	394	301	**699**	**51,556**	1.4%
Cash and cash equivalents	-	-	-	351	**351**	**151,030**	0.2%
Trade payables	214	8	45	128	**395**	**22,106**	1.8%
Current financial liabilities	-	-	-	2,737	**2,737**	**13,534**	20.2%
Other current liabilities	-	-	16	-	**16**	**22,507**	0.1%
Income statement transactions							
Revenues	-	-	334	560	**894**	**147,022**	0.6%
Other operating revenues	-	-	14	-	**14**	**5,325**	0.3%
Other operating expenses	700	-	4,212	60	**4,972**	**69,806**	7.1%
Financial income	-	-	-	4,943	**4,943**	**5,435**	90.9%
Financial expenses	-	-	-	281	**281**	**13,795**	2.0%

Euro thousands

Trade receivables principally concern commercial transactions for the sale of advertising space.
Cash and cash equivalents and current financial liabilities and financial charges concern the operations in place at December 31st 2016 with the credit institutions UniCredit SpA and Banca Finnat Euramerica SpA.
Trade payables to Parent Companies refer to the invoices received from Caltagirone SpA for services performed during the year.
Operating revenues principally concern the advertising carried out with Group newspapers by companies under common control.

Operating costs principally include rental costs by the Parent Company and Other group companies for their respective head offices from companies under common control.
The account financial income relates to dividends received from Assicurazioni Generali SpA and UniCredit SpA.

27. BUSINESS SEGMENT INFORMATION

The disclosures required in accordance with IFRS 8 on the segment information are provided below. The Caltagirone Editore Group, in consideration of the economic and financial relations between the various Group companies and the interdependence between the publishing activities of the various Group newspapers and the advertising activity carried out by the Group agency, described in Note 2, operates within a single sector, defined as a distinctly identifiable part of the Group, which provides a set of related products and services and is subject to differing risks and benefits from the other sectors of Group activity. This vision is used by Management to carry out an analysis of operational performance and for the specific management of related risks. The Group operates exclusively in Italy and bases sector performance on turnover volumes and EBITDA from ordinary operations.

2015	Publishing and Advertising activities	Other activities	Consol. Adjustments	Consolidated pre-segment eliminations	Segment eliminations	Consolidated
Sector revenues - third parties	162,820	192	21	163,033	-	163,033
Inter-segment revenues	41	690	(21)	710	(710)	-
Segment revenues	**162,861**	**882**	**-**	**163,743**	**(710)**	**163,033**
Segment EBITDA	**5,381**	**(2,247)**	**-**	**3,134**	**-**	**3,134**
Depreciation, amortisation, provisions & write-downs	31,084	1	-	31,085	-	31,085
EBIT	**(25,703)**	**(2,248)**	**-**	**(27,951)**	**-**	**(27,951)**
Net financial charges	-	-	-	-	-	8,681
Net result of the share of associates	-	-	-	-	-	-
Loss before taxes	**-**	**-**	**-**	**-**	**-**	**(19,270)**
Income taxes	-	-	-	-	-	(861)
Net Loss						**(20,131)**

	Publishing and Advertising activities	Other activities	Consol. Adjustments	Consolidated pre-segment eliminations	Segment eliminations	Consolidated
Segment assets	439,131	300,519	-	739,650	-	739,650
Segment liabilities	171,903	7,814	-	179,717	-	179,717
Equity investments valued at net equity	-	3	-	3	-	3
Investments in intangible and tangible fixed assets	895	-	-	895	-	895

2016	Publishing and Advertising activities	Other activities	Consol. Adjustments	Consolidated pre-segment eliminations	Segment eliminations	Consolidated
Sector revenues - third parties	152,274	11	62	152,347	-	152,347
Inter-segment revenues	113	690	(62)	741	(741)	-
Segment revenues	**152,387**	**701**	**-**	**153,088**	**(741)**	**152,347**
Segment EBITDA	**(301)**	**(1,620)**	**-**	**(1,921)**	**-**	**(1,921)**
Depreciation, amortisation, provisions & write-downs	54,383	1	-	54,384	-	54,384
EBIT	**(54,684)**	**(1,621)**	**-**	**(56,305)**	**-**	**(56,305)**
Net financial charges	-	-	-	-	-	(8,360)
Net result of the share of associates	-	-	-	-	-	-
Loss before taxes	**-**	**-**	**-**	**-**	**-**	**(64,665)**
Income taxes	-	-	-	-	-	2,226
Net Loss						**(62,439)**

	Publishing and Advertising activities	Other activities	Consol. Adjustments	Consolidated pre-segment eliminations	Segment eliminations	Consolidated
Segment assets	386,660	241,575	-	628,235	-	628,235
Segment liabilities	149,766	6,135	-	155,901	-	155,901
Equity investments valued at net equity	-	2	-	2	-	2
Investments in intangible and tangible fixed assets	3,117	-	-	3,117	-	3,117

Euro thousands

28. NET CASH POSITION

The Net Cash Position, in accordance with the CESR recommendation of February 10th 2005, is as follows:

	31.12.2016	31.12.2015
A. Cash	50	38
B. Bank deposits	150,980	157,775
D. Liquidity (A)+(B)	**151,030**	**157,813**
E. Current financial receivables	**-**	**-**
F. Short-term bank payables	8,302	21,322
G. Current portion of non-current debt	5,232	5,195
H. Current payables to other lenders	-	-
I. Current debt (F)+(G)+(H)	**13,534**	**26,517**
J. Net current cash position (I)-(E)-(D)	**(137,496)**	**(131,296)**
K. Non-current bank payables	3,066	8,306
L. Non-current payables to other lenders	-	-
M. Non-current financial debt (K)+(L)	**3,066**	**8,306**
N. Net Cash Position (J)+(M)	**(134,430)**	**(122,990)**

Euro thousands

29. GUARANTEES AND COMMITMENTS

	31.12.2015
1. Bank and Insurance Sureties Given	39,500
2. Bank and Insurance Sureties Received	237
3. Bills at banks	-
4. Mortgages and privileges	60,000
Total	**99,737**

	31.12.2016
1. Bank and Insurance Sureties Given	39,384
2. Bank and Insurance Sureties Received	237
3. Bills at banks	-
4. Mortgages and privileges	60,000
Total	**99,621**

Euro thousands

30. OTHER INFORMATION

Assignments conferred to the audit firm and related remuneration

The table below shows the payments made to the audit firm PricewaterhouseCoopers SpA in accordance with Article 149 of Consob Resolution No. 11971/99 in 2016.

Company	Audit Firm	Period	Audit fees	Other Services fees	Annual Fees *
Caltagirone Editore SpA	PWC SpA	2012/2020	29	-	29
Il Mattino SpA	PWC SpA	2012/2020	30	9	39
Piemme SpA	PWC SpA	2012/2020	25	-	25
Il Messaggero SpA	PWC SpA	2012/2020	35	-	35
Leggo SpA	PWC SpA	2012/2020	14	-	14
Finced Srl	PWC SpA	2012/2020	5	-	5
Corriere Adriatico SpA	PWC SpA	2015/2016/2017	19	-	19
Quotidiano di Puglia SpA	PWC SpA	2015/2016/2017	19	-	19
Servizi Italia '15 Srl	PWC SpA	2016/2017/2018	7	-	7
Il Gazzettino SpA	PWC SpA	2012/2020	28	-	28
Imprese Tipografiche Venete SpA	PWC SpA	2015/2016/2017	9	-	9
Centro Stampa Veneto SpA	PWC SpA	2015/2016/2017	15	-	15
Total			**235**	**9**	**244**
Caltagirone Editore SpA					29
Subsidiaries					215
Total					**244**

Euro thousands

** The amount does not include the Consob contribution and the ISTAT adjustment*

31. HIERARCHY OF FAIR VALUE ACCORDING TO IFRS 13

In relation to financial instruments recorded at Fair Value, IFRS 13 requires that these values are classified based on a hierarchy of levels which reflects the sources of the input utilised in the determination of the Fair Value. Therefore the following hierarchy levels are established:

level 1: determination of fair value based on prices listed in active markets by class of asset or liability subject to valuation;

level 2: determination of Fair Value based on input other than the listed prices included at Level 1 but which are directly observable (prices) and indirectly (derivatives from prices) on the market; instruments not characterised by sufficient level of liquidity or which do not express in a continuous manner a "binding" market listing are included in this category;

level 3: determination of fair value based on valuation models whose input is not based on observable market data.

The following table shows the hierarchy level for the assets and liabilities which are valued at Fair Value:

Dec 31st 2015	Note	Level 1	Level 2	Level 3	Total
AFS Financial assets valued at fair value	5	133,930	-	-	**133,930**
Total Assets		**133,930**	**-**	**-**	**133,930**

Dec 31st 2016	Note	Level 1	Level 2	Level 3	Total
AFS Financial assets valued at fair value	5	80,484	-	-	**80,484**
Total Assets		**80,484**	**-**	**-**	**80,484**

Euro thousands

In 2016 there were no transfers between the various levels.

Declaration of the Consolidated Financial Statements as per art. 81 - ter of Consob Regulation No. 11971 of May 14th 1999 and subsequent modifications and integrations

1. The undersigned Francesco Gaetano Caltagirone, as Chairman of the Board of Directors, and Fabrizio Caprara, executive responsible for the preparation of the corporate accounting documents of Caltagirone Editore S.p.A., affirm, and also in consideration of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24th 1998:

   - the accuracy of the information on company operations and
   - the effective application,

   of the administrative and accounting procedures for the compilation of the consolidated financial statements for 2016.

2. The activity was undertaken evaluating the organisational structure and the execution, control and monitoring processes of the business activities necessary for the preparation of the consolidated financial statements.
   In relation to this, no important matters arose.

3. It is also declared that:

3.1 the Consolidated Financial Statements:

a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19th 2002;

b) correspond to the underlying accounting documents and records;

c) provide a true and correct representation of the economic, balance sheet and financial situation of the issuer and of the companies included in the consolidation.

3.2 The Directors' Report, prepared using a standard format for both the individual and consolidated financial statements, includes a reliable analysis on the performance and operating result as well as the 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.

Rome, March 8th 2017

The Chairman	**The Executive Responsible**
Mr. Francesco Gaetano Caltagirone	Mr. Fabrizio Caprara

CALTAGIRONE EDITORE

FINANCIAL STATEMENTS
DECEMBER 31ST 2016

CALTAGIRONE EDITORE SPA
BALANCE SHEET

ASSETS	Note	31.12.2016	31.12.2015
Non-current assets			
Property, plant and equipment	1	1,765	3,122
Equity investments valued at cost	2		
subsidiary companies		*239,889,125*	*260,446,782*
associated companies		*3,000*	*3,000*
other companies		*10*	*25,037*
Equity investments and non-current securities	3	47,302,001	61,817,000
Deferred tax assets	4	35,821,000	32,180,900
TOTAL NON-CURRENT ASSETS		**323,016,901**	**354,475,841**
Current assets			
Trade receivables	5	636,431	402,157
of which related parties		*622,200*	*384,462*
Current financial assets	6	66,186,294	48,373,695
of which related parties		*66,186,294*	*48,373,695*
Tax receivables	4	116,888	584,440
Other current assets	7	2,778,360	2,676,518
of which related parties		*2,776,096*	*2,674,573*
Cash and cash equivalents	8	122,219,635	145,500,321
of which related parties		*224,669*	*68,115*
TOTAL CURRENT ASSETS		**191,937,608**	**197,537,131**
TOTAL ASSETS		**514,954,509**	**552,012,972**

Euro

CALTAGIRONE EDITORE SPA
BALANCE SHEET

SHAREHOLDERS' EQUITY & LIABILITIES	Note	31.12.2016	31.12.2015
Shareholders' Equity			
Share capital		125,000,000	125,000,000
Share capital issue costs		(18,864,965)	(18,864,965)
Other reserves		392,814,995	417,114,844
Loss for the year		(23,906,890)	(14,790,371)
Total Shareholders' Equity	**9**	**475,043,140**	**508,459,508**
LIABILITIES			
Non-current liabilities			
Employee provisions	10	118,789	101,835
Deferred tax liabilities	4	10,521	129,081
TOTAL NON-CURRENT LIABILITIES		**129,310**	**230,916**
Current liabilities			
Current provisions	11	206,139	463,418
Trade payables	12	419,849	2,020,286
of which related parties		*258,527*	*1,908,991*
Current financial liabilities	13	2,748,395	7,244,552
of which related parties		*2,748,395*	*7,244,552*
Current income tax payables	4	3,557	2,132
Other current liabilities	14	36,404,119	33,592,160
of which related parties		*30,800,493*	*28,040,450*
TOTAL CURRENT LIABILITIES		**39,782,059**	**43,322,548**
TOTAL LIABILITIES		**39,911,369**	**43,553,464**
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		**514,954,509**	**552,012,972**

Euro

CALTAGIRONE EDITORE SPA
INCOME STATEMENT

	Note	2016	2015
Other operating revenues	15	701,357	721,349
of which related parties		*701,357*	*701,356*
TOTAL OPERATING REVENUES		**701,357**	**721,349**
Labour costs	10	(227,997)	(453,160)
Other operating charges	16	(2,077,490)	(2,458,571)
of which related parties		*(1,107,048)*	*(1,404,018)*
TOTAL OPERATING COSTS		**(2,305,487)**	**(2,911,731)**
EBITDA		**(1,604,130)**	**(2,190,382)**
Amortisation, Depreciation, Provisions & Write-downs	17	(1,357)	(1,765)
EBIT		**(1,605,487)**	**(2,192,147)**
Financial income		3,607,165	2,959,528
of which related parties		*3,216,882*	*2,153,345*
Financial charges		(26,850,514)	(15,299,310)
of which related parties		*(59,056)*	*(117,992)*
Net financial income/(charges)	**18**	**(23,243,349)**	**(12,339,782)**
LOSS BEFORE TAXES		**(24,848,836)**	**(14,531,929)**
Income taxes	4	941,946	(258,442)
LOSS FROM CONTINUING OPERATIONS		**(23,906,890)**	**(14,790,371)**
NET LOSS FOR THE YEAR		**(23,906,890)**	**(14,790,371)**

Euro

CALTAGIRONE EDITORE SPA
COMPREHENSIVE INCOME STATEMENT

	Note	2016	2015
Net loss for the year		**(23,906,890)**	**(14,790,371)**
Items which may not be subsequently reclassified to the profit (loss) for the year			
Effect of actuarial gains/losses, net of tax effect	10	(3,904)	3,849
Items which may be reclassified subsequently to the profit (loss) for the year			
Profit/(loss) from recalculation of AFS assets, net of tax effect	3	(9,286,440)	(227,424)
TOTAL OTHER ITEMS OF THE COMPREHENSIVE INCOME STATEMENT		**(9,290,344)**	**(223,575)**
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		**(33,197,234)**	**(15,013,946)**

Euro

CALTAGIRONE EDITORE SPA

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - 2015

	Share capital	Listing charges	Treasury shares	Fair Value reserve	Other reserves	Net Result	Total Net Equity
Balance at January 1st 2015	**125,000,000**	**(18,864,965)**	**(1,333,953)**	**10,346,774**	**449,485,353**	**(40,649,827)**	**523,983,382**
Previous year results carried forward	-	-	-	-	(40,649,827)	40,649,827	**-**
Treasury shares in portfolio	-	-	(509,925)	-	-	-	**(509,925)**
Total operations with shareholders	**125,000,000**	**(18,864,965)**	**(1,843,878)**	**10,346,774**	**408,835,526**	**-**	**523,473,457**
Change in fair value reserve	-	-	-	(227,424)	-	-	**(227,424)**
Change in employment termination reserve	-	-	-	-	3,849	-	**3,849**
Net Result	-	-	-	-	-	(14,790,371)	**(14,790,371)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(227,424)**	**3,849**	**(14,790,371)**	**(15,013,946)**
Other changes	-	-	-	-	(3)	-	**(3)**
Balance at December 31st 2015	**125,000,000**	**(18,864,965)**	**(1,843,878)**	**10,119,350**	**408,839,375**	**(14,790,371)**	**508,459,508**

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CALTAGIRONE EDITORE SPA

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - 2016

	Share capital	Listing charges	Treasury shares	Fair Value reserve	Other reserves	Net Result	Total Net Equity
Balance at January 1st 2016	**125,000,000**	**(18,864,965)**	**(1,843,878)**	**10,119,350**	**408,839,375**	**(14,790,371)**	**508,459,508**
Previous year results carried forward	-	-	-	-	(14,790,371)	14,790,371	**-**
Treasury shares in portfolio	-	-	(219,132)	-	-	-	**(219,132)**
Total operations with shareholders	**125,000,000**	**(18,864,965)**	**(2,063,010)**	**10,119,350**	**394,049,004**	**-**	**508,240,376**
Change in fair value reserve	-	-	-	(9,286,440)	-	-	**(9,286,440)**
Change in employment termination reserve	-	-	-	-	(3,904)	-	**(3,904)**
Net Result	-	-	-	-	-	(23,906,890)	**(23,906,890)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(9,286,440)**	**(3,904)**	**(23,906,890)**	**(33,197,234)**
Other changes	-	-	-	-	(2)	-	**(2)**
Balance at December 31st 2016	**125,000,000**	**(18,864,965)**	**(2,063,010)**	**832,910**	**394,045,100**	**(23,906,890)**	**475,043,140**

Euro

CALTAGIRONE EDITORE SPA
CASH FLOW STATEMENT

	Note	31.12.2016	31.12.2015
CASH & CASH EQUIVALENTS BEGINNING OF YEAR	**10**	**145,500,321**	**149,719,334**
Net profit/(loss) for the year		(23,906,890)	(14,790,371)
Amortisation & Depreciation		1,357	1,765
(Revaluations) and write-downs		23,834,266	14,678,060
Net financial income/(charges)		(590,917)	(2,338,277)
of which related parties		*2,557,338*	*1,982,050*
(Gains)/losses on disposals		-	-
Income taxes		(941,946)	258,441
Changes in employee provisions		9,433	10,162
Changes in current and non-current provisions		(257,279)	-
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		**(1,851,976)**	**(2,180,220)**
(Increase) Decrease in Trade receivables		(234,275)	(398,317)
Increase (Decrease) in Trade payables		(1,604,898)	1,186,551
Change in other current/non-current assets/liabilities		2,603,224	(1,551,448)
Change in deferred and current income taxes		(2,252,596)	2,128,670
OPERATING CASH FLOW		**(3,340,521)**	**(814,764)**
Dividends received		2,601,931	2,010,000
of which related parties		*2,601,931*	*2,010,000*
Interest received		390,283	806,287
of which related parties		-	*105*
Interest paid		(49,675)	(251,551)
of which related parties		*(44,593)*	*(28,055)*
Income taxes paid		-	(50,189)

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CALTAGIRONE EDITORE SPA
CASH FLOW STATEMENT

continued from previous page	Note	31.12.2016	31.12.2015
A) CASH FLOW FROM OPERATING ACTIVITIES		**(397,982)**	**1,699,783**
Non-current investments and securities		(2,070,970)	(12,573,901)
Sale of equity investments and non-current securities		2,297,604	-
Change in current financial assets		(18,894,049)	7,097,189
Other changes in investments		-	(312,155)
B) CASH FLOW FROM INVESTING ACTIVITIES		**(18,667,415)**	**(5,788,867)**
Change in current financial liabilities		(3,996,157)	380,000
Other changes		(219,132)	(509,929)
C) CASH FLOW FROM FINANCING ACTIVITIES		**(4,215,289)**	**(129,929)**
D) EFFECT EXCHANGE DIFFERENCES ON CASH & CASH EQUIVALENTS		**-**	**-**
Change in net liquidity		(23,280,686)	(4,219,013)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**10**	**122,219,635**	**145,500,321**

Euro

CALTAGIRONE EDITORE

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31ST 2016

INTRODUCTION

Caltagirone Editore SpA (Parent Company) is a limited liability company with its registered office at Rome (Italy), Via Barberini, No. 28.
At the date of the preparation of the present explanatory notes, the shareholders with holdings above 3% of the share capital, as per the shareholders' register, the communications received in accordance with Article 120 of Legislative Decree No. 58 of February 24th 1998, and other information available are:

Francesco Gaetano Caltagirone 75,955,300 shares (60.76%).
The above-mentioned investment is held:
- indirectly through the companies:
  - Parted 1982 SpA 44,454,550 shares (35.56%)
  - Gamma Srl 9,000,750 shares (7.20%)
  - FGC Finanziaria Srl 22,500,000 shares (18.00%)

These financial statements were authorised for publication by the Directors on March 8th 2017.
At the date of the preparation of the present accounts, the ultimate holding company is FGC SpA, with registered office at Via Barberini 28 Rome, due to the shares held through subsidiary companies.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS APPROVED BY THE EUROPEAN COMMISSION

The financial statements at December 31st 2016 were prepared on the going concern basis and in accordance with Article 2 of Legislative Decree 38/2005 and International Financial Reporting Standards (IFRS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), approved by the European Commission and in force at the balance sheet date, in addition to the preceding International Accounting Standards (IAS). For simplicity, all the standards and interpretations are hereafter stated simply as "IFRS". In the preparation of the present document, account was taken of Article 9 of Legislative Decree No. 38 of February 28th 2005, of the provisions of the civil code, of CONSOB Resolution No. 15519 ("Regulations relating to financial statements to be issued in accordance with Article 9, paragraph 3 of Legs. Decree No. 38/2005") and No. 15520 ("Modifications and amendments to the implementation rules of Legs. Decree No. 58/1998"), both of July 27th 2006, as well as CONSOB communication No. DEM/6064293 of July 28th 2006 ("Disclosure of issuers of shares and financial instruments in accordance with article 116 of the CFA").

BASIS OF PRESENTATION

The financial statements at December 31st 2016 are presented in Euro and all the amounts refer to units of the currency, except where indicated otherwise. They consist of the Balance Sheet, the Income Statement, the Comprehensive Income Statement, the Cash Flow Statement, the Statement of changes in Shareholders' Equity and the Explanatory Notes. In relation to the presentation of the financial statements, the Company has chosen the following options:
- the current and non-current assets and current and non-current liabilities are presented as separate classifications in the Balance Sheet;
- the Income Statement and the Comprehensive Income Statement are classified on the basis of the nature of the costs;

- the Comprehensive income statement, beginning with the net result, highlights the effect of profits and losses recorded directly to net equity;
- the statement of changes in shareholders' equity is based on changes in equity;
- the cash flow statement is presented using the indirect method.

The historic cost is the general criteria adopted, with the exception of the financial statement accounts measured at Fair value according to the individual IFRS, as described in the measurement criteria below.

The IFRS were applied in accordance with the "Framework for the preparation and presentation of financial statements" and no matters arose which required recourse to the exceptions permitted by IAS 1, paragraph 19.

It is recalled that CONSOB. resolution No. 15519 of July 27th 2006 requires that the above financial statements report, where the amounts are significant, additional sub-accounts to those already specifically required by IAS 1 and other international accounting standards in order to show the balances and transactions with related parties as well as the relative income statement accounts relating to non-recurring or unusual operations.

The assets and liabilities are shown separately and without any offsetting.

The accounting principles and criteria applied in the present financial statements are in line with those adopted in the financial statements for the year ended December 31st 2015.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Accounting standards and amendments to standards adopted by the Company

From January 1st 2016 the Company adopted the following new accounting standards:

- "Equity Method in Separate Financial Statements (Amendments to IAS 27)". This document was adopted by the European Union under Regulation No. 2441 of December 23rd 2015. The amendments will allow entities to use the equity method to measure investments in subsidiaries, joint ventures and associates in the separate financial statements.
- Amendments to IAS 1 "Presentation of Financial Statements". These amendments were adopted by the European Union under Regulation No. 2406 of December 19th 2015. The initiative is part of the Disclosure Initiative project to improve the presentation and communication of financial information in financial reports and to resolve a number of issues highlighted by operators.
- "Annual Improvements to IFRSs: 2012-2014 Cycle". This document was adopted by the European Union under Regulation No. 2343 of December 16th 2015. The amendments introduced concern the following standards: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosure, IAS 19 Employee Benefits, IAS 34 Interim Financial Reporting.
- "Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)"; these amendments clarify that a depreciation and amortisation method based on the revenues generated by an asset (revenue-based method) is not considered appropriate as exclusively reflecting the revenue streams generated from the assets and not, in fact, the manner of consumption of the economic benefits of the asset. These amendments were adopted by the European Union under Regulation No. 2231 of December 3rd 2015.
- "Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 Joint Arrangements)". This document was adopted by the European Union

under Regulation No. 2173 of November 25th 2015. The amendments to IFRS 11 clarify the method for recognition of holdings acquired in a joint operation which represent a business.

- Amendments to IAS 16 and IAS 41 concerning Bearer Plants. According to these amendments, adopted by the European Union with Regulation No. 2113 of November 24th 2015, the harvests may be recorded at cost rather than fair value. Otherwise, the amount continues to be recognised at fair value.
- "Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)". The amendment, adopted by the European Union with Regulation No. 1703 of September 23rd 2016, clarified three questions relating to the consolidation of an investment entity.

Accounting Standards and interpretations on Standards effective from the periods subsequent to 2016 and not adopted in advance by the Company

- On July 24th 2014, the IASB published IFRS 9 – "Financial instruments". The document incorporates the results of the classification and measurement, derecognition, impairment and hedge accounting phases of the IASB project to replace IAS 39. The new standard replaces the previous versions of IFRS 9. As noted, the IASB in 2008 initiated a phased project for the replacement of IFRS 9. In 2009, they published the first version of IFRS 9 which considers the measurement and classification of financial assets; subsequently, in 2010 the rules concerning financial liabilities and derecognition were published (this latter issue was entirely incorporated by IAS 39). In 2013, IFRS 9 was amended to include the general model of hedge accounting. In September 2015, EFRAG completed its due process for the issue of the endorsement advice, which was thereafter presented to the European Commission. This document, adopted by the European Union with Regulation No. 2067 of November 29, 2016, is applicable from periods which begin, or subsequent to, January 1st 2018. Earlier application is permitted.
- On May 28th 2014, the IASB published "IFRS 15 - Revenue from Contracts with Customers". The standard is a single and complete framework for the recognition of revenues and sets the rules to be applied to all contracts with customers (with the exception of contracts which fall within the scope of the standards on leasing, on insurance contracts and on financial instruments). IFRS 15 replaces the previous standards on revenues: IAS 18 *Revenue* and IAS 11 *Construction Contracts*, in addition to the interpretations IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue-Barter Transactions Involving Advertising Services*. The standard establishes the criteria for the recognition of revenues from the sale of products or the supply of services through the introduction of the so-called five-step model framework; in addition, specific information concerning the nature, the amount, the timing and the uncertainties relating to revenues and cash flows deriving from the underlying contracts with clients must be provided in the explanatory notes. On September 11th 2015, the IASB published the Amendments to IFRS 15, which postponed the entry into force of the standard by one year to January 1st 2018. This document, adopted by the European Union with Regulation No. 1905 of October 29, 2016, is applicable from periods beginning on, or subsequent to, January 1st 2018. Earlier application is permitted.

New accounting standards and interpretations

At the date of the approval of the present Consolidated Financial Statements, the IASB had issued (however not yet approved by the European Union) a number of accounting standards, interpretations and amendments - some still in the consultation phase - among which we highlight:

- On January 30th 2014, the IASB published IFRIC 14 - *"Regulatory Deferral Accounts"*. The standard establishes the option for first-time adopters operating in a regulated tariff sector to continue to recognise in the first and subsequent IFRS financial statements - with certain limited changes - the "regulatory assets and liabilities" under the previous local GAAP; in addition, the assets and liabilities from regulatory activities and their movements are presented separately in the balance sheet, in the income statement and in the comprehensive income statement and specific disclosure must be provided in the explanatory notes. The European Commission has currently suspended the Endorsement Process ahead of the issue of the definitive accounting standard by the IASB.
- On January 13th 2016, the IASB published the new standard IFRS 16 *Leases*, which replaces IAS 17. IFRS 16 is applicable from January 1st 2019. The new standard eliminates the difference in the recognition of operating and finance leases, while also presenting elements which simplify application and introduces the concept of control within the definition of leasing. In particular in order to determine whether a contract represents leasing, IFRS 16 requires to verify whether the lessee has the right to control the use of a determined asset for a determined period of time. Advance application is permitted for entities applying also IFRS 15 *Revenues from Contracts with Customers*. The conclusion of EFRAG's due process is expected in the first quarter of 2017.
- On April 12th 2016, the IASB published the document "Clarifications to IFRS 15 Revenue from Contracts with Customers". This amendment does not amend the provisions within the standard but clarifies how these provisions shall be applied. In particular, it is clarified (i) how to identify a performance obligation in a contract, (ii) how to determine if an entity is a principal or an agent and (iii) how to identify the moment in which the revenues shall be recognised deriving from the license concession. The entry into force of this amendment, which is expected to be approved by the European Union in the second quarter of 2017, is also January 1st 2018.
- On September 11th 2014, the IASB published the document "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)", in order to resolve a conflict between IAS 28 and IFRS 10. According to IAS 28, the profit or loss from the sale or conferment of a non-monetary asset to a joint venture or associate in exchange for a share of the capital of this latter is limited to the share held by external investors to the transaction. On the other hand, IFRS 10 provides for the recognition of the entire profit or loss in the case of loss of control, also if the entity continues to hold a non-controlling holding, including also upon the sale or conferment of a subsidiary to a joint venture or associate. The amendments introduced provide that for the disposal/conferment of an asset or a subsidiary to a joint venture or associated company, the measurement of the profit or the loss to be recognised to the financial statements of the disposing company/conferring company depends on whether the asset or the subsidiary disposed of/conferred is a business as defined by IFRS 3. In the case in which the assets or the subsidiary disposed of/conferred

are considered a business, the entity must recognise the profit of the loss on the entire share previously held; while in the contrary case, the share of profit or loss concerning the stake still held by the entity must be eliminated. In December 2015, the IASB published the Amendment which defers for an unspecified period of time the entry into force of the amendments to IFRS 10 and IAS 28, while awaiting completion of the IASB project on the equity method.

- On January 19th 2016, the IASB published amendments to IAS 12 Income Tax. The document "Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)" clarifies the calculation of deferred tax assets on debt instruments measured at fair value. The changes are applied from January 1st 2017. Earlier application is permitted. Approval by the EU is expected in the second quarter of 2017.
- On January 29th 2016, the IASB published amendments to IAS 7 Statement of cash flows. The Disclosure Initiative document (Amendments to IAS 7) seeks to improve the presentation and communication of financial information in financial reports and to resolve a number of issues highlighted by operators. These changes will be applied from January 1st 2017. Approval by the EU is expected in the second quarter of 2017.
- On June 20th 2016, the IASB published amendments to IFRS 2 Share-based Payment. The document "Classifications and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)" resolves some issues relating to the accounting of share-based payments. In particular, this amendment includes some significant improvements (i) in the measurement of share-based payments settled by cash, (ii) in their classification and (iii) in the method for the recognition where there is a change from share-based payments settled by cash to share-based payments settled through capital instruments. These changes will be applied from January 1, 2018. Approval by the EU is expected in the second quarter of 2017.
- On September 12th 2016, the IASB published some amendments to IFRS 4 Insurance Contracts. The document "Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" has the objective to resolve some inconsistencies deriving from the difference in the date of entry into force of IFRS 9 and the new accounting standard on insurance contracts. These changes will be applied from January 1st, 2018. Approval by the EU is expected in the third quarter of 2017.
- On December 8th 2016, the IASB published some modifications on IAS 40 Investment Property. The document "Amendments to IAS 40: Transfers of Investment Property" has the objective to clarify the aspects relating to the treatment of the transfers from, and to, investment properties. In particular, the modification clarifies that a transfer must take place if and only if there is a change in the use of the asset. A change in management's intention is not in itself sufficient to support a transfer. The amendments are applicable to financial statements relating to periods which begin January 1st 2018, or subsequently; advance application is permitted. Approval by the European Union is expected in the second half of 2017.
- On December 8th 2016, the IASB published the "Annual Improvements to IFRS Standards 2014-2016 Cycle". The modifications introduced, within the normal review and clarifications on international accounting standards, concern the following standards: IFRS 1 First-time adoption of IFRS, IFRS 12 Disclosure of

interests in other entities and IAS 28 Investments in associates and joint venture. Approval by the European Union is expected in the second half of 2017. The modifications relating to IFRS 1 and IAS 28 are applied to financial statements which begin on January 1st 2018, or subsequently; advanced application is permitted only in relation to IAS 28. The amendments are applicable to financial statements relating to periods which begin January 1st 2017, or subsequently.

- On December 8th 2016, the IASB published the interpretation IFRIC 22 - "Foreign Currency Transaction and Advance Consideration", in order to provide clarification on the correct recognition of an operation in foreign currency, in the case of payments made or received in advance compared to the actual transaction to which the payment refers. The interpretation clarifies that the date of the transaction to be utilised for the conversion is the date in which the entity makes or receives the advance payment. IFRIC 22 is applicable to financial statements relating to years which begin on January 1st 2018 or subsequently; advanced application is permitted. Approval by the European Union is expected in the second half of 2017.

Any effects that the newly applied accounting standards, amendments and interpretations may have on the Company financial disclosure are currently being evaluated.

FOREIGN CURRENCY TRANSACTIONS

All transactions in currencies other than the Euro are recognised at the exchange rate at the date of the transaction. The assets and liabilities denominated in foreign currencies other than the operational currencies are subsequently adjusted to the exchange rate at the end of the reporting period. The positive or negative differences between the values translated at the period end exchange rate and the original exchange rate are recognised in the income statement.

The non-monetary assets and liabilities denominated in foreign currencies and recorded at historical cost are translated utilising the exchange rate at the initial date of recording of the operation.

The non-monetary assets and liabilities recognised at fair value are translated using the exchange rate at the transaction date.

ACCOUNTING POLICIES

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost, including directly allocated accessory costs and those necessary for the asset being in the condition for which it was acquired, and increased, in the presence of obligations, by the present value of the estimated cost for the disposal of the asset.

The financial charges directly attributable to the acquisition, construction or production of an asset are capitalised as part of the cost of the asset itself until the moment in which the asset is ready for expected use or sale.

The expenses incurred for the maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement in the year in which they are incurred. The capitalisation of the costs relating to the expansion, modernisation or improvement of owned tangible assets or of those held in leasing, is made only when they satisfy the requirements to be separately classified as an asset or part of an asset in accordance with the component approach.

Property, plant and equipment is recorded net of the relative accumulated

depreciation and any loss in value determined in accordance with the procedures described below.
Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset; useful life is reviewed annually and any changes, where necessary, are made on the basis of the new estimate.
The estimated useful lives of property, plant and equipment are as follows:

	Useful life	Economic/technical rate
Minor equipment	4 years	25%
Office furniture and equipment	8 years	12.50%

Land, both constructible and relating to civil and industrial buildings, is not depreciated as it has an unlimited useful life.
When the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is made separately for each part of the asset, with the application of the component approach principle.
At the moment of sale or when no expected future economic benefits exist from the use of a tangible asset, it is eliminated from the financial statements and any gain or loss (calculated as the difference between the sales value and the net book value) is recorded in the income statement in the year of the above mentioned elimination.

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

All the companies in which Caltagirone Editore SpA has the power to determine, directly or indirectly, the financial and operating policies of the entity, so as to obtain benefits from its activities are considered as subsidiary companies.
Investments in associated companies refer to those in which Caltagirone Editore SpA has a significant influence.
In the evaluation of control and significant influence, consideration is also taken of the potential voting rights that are effectively exercisable or convertible.
The above-mentioned equity investments are recognised at cost adjusted for any loss in value under impairment tests.
Losses in value are recognised in the income statement and can be restated where the reasons for their write-down no longer exist. Where the loss pertaining to the Company exceeds the book value of the investment, and where the holding is committed to comply with legal or implicit obligations of the company or in any case to cover the losses, the book value is written down and any excess is recorded in a specific risk provision.

FINANCIAL ASSETS

The financial assets are classified, on initial recognition, in one of the following categories and measured as follows:

- *available for sale financial assets*: the available-for-sale assets are non-derivative financial instruments explicitly designated in this category and are classified under non-current assets unless management has the intention to sell them

within 12 months from the balance sheet date. These financial assets are valued at fair value and the valuation gains or losses are allocated to net equity and the Comprehensive Income Statement. They are recognised in the income statement only when the financial asset is sold, or, in the case of negative cumulative changes, when it is considered that the reduction in value already recorded under equity may not be recovered and when a long-term loss in value is established.
The Company, taking account of the types of shares held, established that the quantitative limits utilised to identify the necessity for an impairment procedure are for a decrease in the fair value at the balance sheet date of above 50% compared to the original book value or a decrease in the fair value below the initial recording for 60 consecutive months.
Financial assets available-for-sale are derecognised from the balance sheet when the right to receive the cash flows from the instrument ceases and the Company has transferred all the risks and rewards relating to the instrument and the relative control. When the fair value cannot be determined reliably, the cost value is maintained, adjusted for any losses in value. These losses for reduction in value may not be restated;

- *loans and receivables*: they are financial instruments, principally relating to loans and trade receivables, non-derivative, not listed on an active market, from which fixed or determinable payments are expected. They are stated as current assets except for amounts due beyond 12 months from the balance sheet date, which are classified as non-current. These assets are measured at amortised cost, on the basis of the effective interest rate (identified as their nominal value). When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable. Impairments are recognised to the income statement. When, in subsequent periods, the reasons for the write-down no longer exist, the value of the assets is restated up to the value deriving from the application of the amortised cost where no write-down had been applied.
  Financial assets are eliminated from the balance sheet when the right to receive the cash flows from the instrument ceases and the Company has transferred all the risks and rewards relating to the instrument and the relative control.
  In accordance with IAS 39.38 financial assets are measured at the trading date.

FINANCIAL LIABILITIES

Financial liabilities are those concerning loans, trade payables and other obligations. On initial recognition, they are recorded at fair value, net of directly attributable accessory transaction costs. Thereafter, they are measured at amortised cost, using the effective interest rate. When there is a change in the expected cash flows and it is possible to estimate them reliably, the values of liabilities are recalculated to reflect this change based on the new current value of the expected cash flows and of the internal yield initially determined.
The financial liabilities are classified under current liabilities, except when the Company has an unconditional right to defer their payment for at least 12 months after the balance sheet date.
Financial liabilities are eliminated from the balance sheet when they expire and the Company has transferred all the risks and rewards relating to the instrument.

FAIR VALUE HIERARCHY LEVELS

In relation to the financial assets and liabilities recorded in the balance sheet at Fair Value, IFRS 13 requires that these values are classified based on a hierarchy of levels which reflects the degree of input utilised in the determination of the Fair Value. The following levels are used:

level 1: determination of fair value based on prices listed on active markets for identical assets or liabilities which the entity can access at the valuation date;

level 2: determination of fair value based on other inputs than the listed prices included in "Level 1" but which are directly (prices) or indirectly (derivatives of prices) observable for the assets or liabilities;

level 3: determination of the fair value based on valuation models whose input is not observable for the assets or liabilities.

For information on the Fair Value hierarchy level, reference should be made to Note 22.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are accounted at fair value and include bank deposits and cash in hand, or rather those values that are available on demand at short notice, certain in nature and with no payment expenses.

SHAREHOLDERS' EQUITY

TREASURY SHARES

The costs incurred for the purchase of treasury shares are recorded as a reduction of shareholders' equity. The gains or losses deriving from a subsequent sale are recorded as net equity movements.

COSTS FOR SHARE CAPITAL INCREASES

The costs incurred for the stock exchange listing, net of the relative tax effect, are recorded as a reduction of the shareholders' equity in a separate negative reserve.

EMPLOYEE BENEFITS

The liabilities relating to the benefits recognised to employees and paid on or after the employment period and relating to defined benefit plans (Employee Leaving Indemnity), net of any assets serving the plan, are determined on the basis of actuarial assumptions estimating the amount of the future benefits that the employees have matured at the balance sheet date. The liability is recognised on an accruals basis over the maturity period of the right.

The determination of the current value of the Company commitments is made by an independent expert using the projected unit credit method. Under this method, a future projection is made of the liability to determine the probable amount to be paid on the termination of employment and then discounted, to take into account the period of time which will pass before the actual payment. The calculation takes into account the employee leaving indemnity matured and is based on actuarial assumptions which principally relate to the interest rate, which reflects the market

return of primary securities with maturities similar to those for bonds and the turnover of employees.
The actuarial gains and losses, defined as the differences between the carrying value of the liabilities and the current value of the Company commitments at the end of the period, due to changes in the actuarial parameters described above, are directly recorded to the Comprehensive Income Statement. The financial component is however recorded in the Income Statement, in the account financial charges.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised in respect of certain or probable losses or liabilities, the amount or due date of which could not be determined at year-end.
The Provisions for risks and charges are recorded when a legal or implicit obligation exists towards a third party that derives from a past event, and a payment of resources is probable in order to satisfy the obligation and this amount can be reliably estimated. When the financial effect of the time value of money is significant and the payment dates of the obligations can be estimated reliably, the provision is discounted using the estimated future cash flows at a pre-tax rate that reflects the current market assessment of the cost of money and, if appropriate, the specific risks of the obligation; the increase of the liability due to the passing of time is recorded as a financial charge.
In particular, the provisions for risks and charges relating to employee restructuring plans are recognised when at the balance sheet date the event which gives rise to the obligation is 'binding' as the Company, through the drawing up of a formal restructuring programme, has generated within interested third parties the valid expectations that the entity will implement the afore-mentioned programme.

REVENUES

Revenues are recognised in accordance with the probability that the company will receive economic benefits and the amount can be determined reliably. The revenues are recognised at the fair value of the amount received less returns, premiums and discounts. The revenues from the sale of goods are recognised when the significant risks and benefits of the ownership of the assets are transferred to the purchaser. In particular, the circulation revenues are recognised in relation to the number of copies issued by the balance sheet date, appropriately adjusted at the year-end to take into account returns based on historical data.
Revenues for services are recognised when the services are provided, with reference to the progress of completion of the activities. The advertising revenues are recognised based on the completion of the advertisement by the end of the year.

FINANCIAL INCOME AND CHARGES

Financial income and charges are recognised in accordance with the accruals concept on the basis of the interest matured on the net value of the relative financial assets and liabilities utilising the effective interest rate, therefore utilising the rate which is financially equivalent to all the cash inflows and outflows which comprise an operation.

DIVIDENDS

The dividends are recorded when the right of the shareholders to receive the payment arises. The dividends and dividend payments on account payable to third parties are recorded as changes in shareholders' equity at the date in which the Shareholders' Meetings approves them.

INCOME TAXES

Current Income taxes for the period are determined on the basis of the taxable assessable income and in accordance with current legislation; consideration is also taken of the effects deriving from the national fiscal consolidation, in accordance with Article 117/129 of the Income Tax Act, in which the Group is the consolidating company of the following subsidiaries: Il Messaggero SpA, Il Mattino SpA, Finced Srl, Piemme SpA, Corriere Adriatico SpA, Quotidiano di Puglia SpA, Il Gazzettino SpA, Imprese Tipografiche Venete SpA, Leggo SpA, Ced Digital Servizi Srl, Centro Stampa Veneto SpA and Pim SpA, Stampa Roma 2015 Srl, Stampa Napoli 2015 Srl, Servizi Italia 15 Srl.

Caltagirone Editore SpA acts therefore as the consolidating company and calculates a single assessable base for the group of companies adhering to the national tax consolidation and therefore benefits from the possibility of offsetting assessable income with assessable losses in a single tax declaration. The assessable amount and the losses for the period were transferred and recorded by the subsidiaries to the consolidating company in the year in which they matured; any future fiscal benefits (deferred tax assets) are therefore recorded directly by the consolidating company.

Deferred tax assets and liabilities are calculated on temporary differences between the balance sheet values and the corresponding values recognised for tax purposes, applying the expected tax when the differences are reversed, determined on the basis of the current tax rates in force or to be applied in the near future.

The recognition of deferred tax assets is made when their recovery is probable - that is when it is expected that there will be future assessable fiscal income sufficient to recover the asset, also in consideration of the tax consolidation described above.

The recovery of the deferred tax asset is reviewed at each balance sheet date.

RISK MANAGEMENT

The Company is exposed to various market risks and in particular to liquidity risk, risk of change in the prices of listed financial investments and foreign exchange risk.

Price risk of the equity shareholdings

In relation to the risk of changes in the fair value of the equity shareholdings held as available for sale, the Company monitors the changes of share prices and for this reason constantly records the movements in the listed shares in portfolio. Based on this data, the investment and divestment policies of the Group are defined with the objective to optimise medium and long-term cash flows, also considering the distribution of dividends from the shares in portfolio. The investment and divestment

strategies of the equity investments are also considered in relation to the diversification of risk.

Currency risk

The Company at the reporting date was not exposed to exchange rate risk as operations and revenues exclusively relate to Italy, in addition to costs.

Liquidity risk

Liquidity risk is linked to the difficulty in obtaining funds to cover commitments at a given moment. Caltagirone Editore has access to its own liquidity which is in the form of short-term deposits and therefore easily accessible and highly liquid. It is therefore considered that this risk is not significant.

USE OF ESTIMATES

The preparation of the financial statements require the Directors to apply accounting principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the balance sheet, the income statement and the cash flow statement, and on the disclosures in the notes to the accounts. The final outcome of the accounts in the financial statements, which use the above-mentioned estimates and assumptions, may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and conditions upon which the estimates are based.

The accounting standards and accounts in the financial statements which require greater subjectivity in the preparation of the estimates and for which a change in the underlying conditions of the assumptions used may have a significant impact on the financial statements of the Company are as follows:

- Write-down of fixed assets;
- Deferred tax;
- Provisions for risks and charges;
- Other write-down provisions.

The estimates and assumptions are reviewed periodically and the effects of all variations recorded in the Income Statement, when they relate only to that year. When the revision relates to both current and future periods (for example the revision of the useful life of fixed assets), the changes are recorded in the period in which the revision is made and in the relative future periods.

CHANGE OF ACCOUNTING PRINCIPLES, ERRORS AND CHANGE OF ESTIMATES

The accounting principles adopted are amended from one period to another only if the change is required by a standard and if this contributes to providing more reliable information on the effects of the operations on the balance sheet, income statement and cash flows of the enterprise.

The changes to the accounting standards are recorded retrospectively with the recording of the effect to net equity for the more remote periods reported. The other comparative amounts indicated for each period are adjusted as if the new standard

had always been applied. The prospective approach is made only when it is impractical to reconstruct the comparative information.
The application of a new or amended accounting standard is accounted for in accordance with the requirements of the standard. If the standard does not permit a transition period, the change is accounted in accordance with the retrospective method, or if impractical, with the prospective method.
In the case of significant errors, the same method that is used for changes in accounting standards illustrated previously is applied. In the case of non-significant errors, these are accounted for in the income statement in the period in which they are noted.
Changes in estimates are accounted in accordance with the prospective method in the Income Statement in the period in which the change occurs only if impacting upon this latter or in the period in which the change occurs, and subsequent periods if the change also impacts upon future periods.

VALUE OF THE COMPANY

The Stock Market capitalisation of Caltagirone Editore is currently lower than the net equity of the Group (Stock Market capitalisation at December 31st 2016 of Euro 92.5 million compared to a Group net equity of Euro 472.4 million). The share price was affected by the generally weak and highly volatile financial market conditions, which significantly differed from an assessment based on the Company's underlying fundamentals expressed by the value in use. While considering the complex economic environment, reflected also in the cash flow estimate and discounting rate estimate, the impairment test should consider the capacity to generate cash flows, rather than stock market values which also reflect developments not strictly related to the Group, with a particular short-term focus.
It should however be considered that at consolidated level the total value of cash and cash equivalents, of available-for-sale financial assets and the Newspaper Titles account for 98% of the Consolidated Net Equity. On measuring the Newspaper Titles at fair value, further gains emerged which approximate the value of Net Equity.

ASSETS

1. PROPERTY, PLANT AND EQUIPMENT

Historical cost	Equipment	Other assets	Total
01.01.2015	**29,956**	**213,333**	**243,289**
Increases/Decreases	-	-	**-**
31.12.2015	**29,956**	**213,333**	**243,289**
01.01.2016	**29,956**	**213,333**	**243,289**
Increases/Decreases	-	-	**-**
31.12.2016	**29,956**	**213,333**	**243,289**

Depreciation & loss in value	Equipment	Other assets	Total
01.01.2015	**25,069**	**213,333**	**238,402**
Increases/Decreases	1,765	-	**1,765**
31.12.2015	**26,834**	**213,333**	**240,167**
01.01.2016	**26,834**	**213,333**	**240,167**
Increases	1,357	-	**1,357**
31.12.2016	**28,191**	**213,333**	**241,524**
Net value			
01.01.2015	**4,887**	**-**	**4,887**
31.12.2015	**3,122**	**-**	**3,122**
31.12.2016	**1,765**	**-**	**1,765**

Euro

2. INVESTMENTS VALUED AT COST

The movements in the account are as follows:

Investments in subsidiaries	Registered Office	Share capital	%	Book value 01.01.2015	Increases/ (Decreases)	Revaluations/ (Write-downs)	Book value 31.12.2015	Share of Net Equity 31.12.2015	Difference compared to book value 31.12.2015
Il Mattino SpA	Rome	500,000	99.95	23,590,097	2,998,500	-	26,588,597	1,167,212	25,421,385
Leggo SpA	Rome	1,000,000	99.95	55,435	944,093	(999,528)	-	(463,418)	463,418
Finced Srl	Rome	10,000	99.99	90,706,368	-	-	90,706,368	77,652,830	13,053,538
Corriere Adriatico SpA	Ancona	890,000	99.95	11,172,000	980,414	(2,028,000)	10,124,414	(618,344)	10,742,757
Quotidiano di Puglia SpA	Rome	1,020,000	99.95	17,822,403	-	(973,000)	16,849,403	1,245,110	15,604,293
Il Gazzettino SpA	Rome	2,000,000	99.95	72,606,664	2,358,993	-	74,965,657	(53,326)	75,018,983
Il Messaggero SpA	Rome	1,265,385	99.95	35,297,555	-	-	35,297,555	35,474,220	(176,665)
Ced Digital & Servizi Srl	Rome	100,000	99.99	99,990	-	-	99,990	811,512	(711,522)
Piemme SpA	Rome	2,643,139	99.99	15,919,848	-	(10,205,000)	5,714,848	5,714,344	504
Servizi Italia 15 Srl	Rome	100,000	99.95	-	99,950	-	99,950	100,306	(494)
Total				**267,270,360**	**7,381,949**	**(14,205,528)**	**260,446,782**		

Investments in subsidiaries	Registered Office	Share capital	%	Book value 01.01.2016	Increases/ (Decreases)	Revaluations/ (Write-downs)	Book value 31.12.2016	Share of Net Equity 31.12.2016	Difference compared to book value 31.12.2016
Il Mattino SpA	Rome	500,000	99.95	26,588,597	(10,095)	-	26,578,502	(1,889,025)	28,467,527
Leggo SpA	Rome	1,000,000	99.95	-	999,500	(670,274)	329,226	329,226	-
Finced Srl	Rome	10,000	99.99	90,706,368	-	(18,686,288)	72,020,080	72,020,080	-
Corriere Adriatico SpA	Rome	200,000	99.95	10,124,414	818,244	(937,875)	10,004,783	(1,022,184)	11,026,966
Quotidiano di Puglia SpA	Rome	1,020,000	99.95	16,849,403	-	(354,489)	16,494,914	826,752	15,668,162
Il Gazzettino SpA	Rome	200,000	99.95	74,965,657	1,252,626	-	76,218,283	(2,135,906)	78,354,188
Il Messaggero SpA	Rome	1,265,385	99.95	35,297,555	(3,629,184)	-	31,668,371	27,974,688	3,693,683
Ced digital & servizi Srl	Rome	100,000	99.99	99,990	-	-	99,990	173,648	(73,658)
Piemme SpA	Rome	2,643,139	99.99	5,714,848	-	(2,866,527)	2,848,321	2,848,321	-
Servizi Italia 15 Srl	Rome	100,000	99.95	99,950	1,199	(101,149)	-	(49,128)	49,128
Stampa Roma 2015 Srl	Rome	10,000	99.95	-	3,628,185	(1,530)	3,626,655	3,626,655	-
Stampa Napoli 2015 Srl	Rome	10,000	99.95	-	9,995	(9,995)	-	(157,010)	157,010
Total				**260,446,782**	**3,070,470**	**(23,628,127)**	**238,889,124**		

Euro

The increase in investments related to payments made in the year to cover losses, respectively to Leggo SpA (Euro 999,500), Corriere Adriatico SpA (Euro 818,244) and Il Gazzettino SpA (Euro 1,252,626).

The further increases relate to the incorporation of the companies Stampa Roma 2015 Srl and Stampa Napoli 2015 Srl following the partial proportional spin-off of the printing activities respectively from Il Messaggero SpA and Il Mattino SpA.

The write-downs of investments relating to the subsidiaries Leggo SpA (Euro 670,274), Corriere Adriatico SpA (Euro 937,875), Quotidiano di Puglia SpA (Euro 354,489), Piemme SpA (Euro 2,866,527), Finced Srl (Euro 18,686,288), Servizi Italia 15 Srl (Euro 101,149), Stampa Roma 2015 Srl (Euro 1,530) and Stampa Napoli 2015 Srl (Euro 9,995) follow the execution of impairment tests, in which the recoverable value was approximated to the adjusted Net Equity of any gains emerging (for greater details concerning the methodology and the underlying assumptions of the impairment tests, reference should be made to Note 2 of the Explanatory Notes to the Group Consolidated Financial Statements).
With reference to the subsidiary Finced, the write-down was made based on the net equity of the company at December 31st 2016, considered representative of the recoverable value of the investment, also in view of the value of the Generali shares held by Finced. In particular, in consideration of the current turbulence on the equity markets, compared to the previous year it was not considered appropriate to rely on the so-called target prices for the valuation of the share prices (which would have generated a further write-down of Euro 3.9 million), but rather on the historical cost price which did not incur any permanent loss in value, measured in accordance with the criterion utilised by Caltagirone Editore SpA for the available-for-sale financial assets.
The subsidiaries indirectly held through Il Gazzettino SpA are as follows:

Equity investments in indirect subsidiaries	Registered office	Share capital	% of control of the Group	Shareholders' Equity	Result for the year
Centro Stampa Veneto SpA	Rome	567,000	100.00	643,904	**(20,682)**
Imprese Tipografiche Venete SpA	Rome	936,000	100.00	2,371,057	**233,709**
P.I.M. Pubblicità Italiana Multimedia Srl	Rome	1,044,000	100.00	7,012,575	**584,619**

Euro

The investments in associated companies directly held by Caltagirone Editore SpA are as follows:

Investments in associates	Registered office	%	01.01.2015	Increases/ (Decreases)	Reclassifications	31.12.2015
Rofin 2008 Srl	Rome	30.00	3,000	-	-	3,000
Total			**3,000**	**-**	**-**	**3,000**

Investments in associates	Registered office	%	01.01.2016	Increases/ (Decreases)	Reclassifications	31.12.2016
Rofin 2008 Srl	Rome	30.00	3,000	-	-	3,000
Total			**3,000**	**-**	**-**	**3,000**

Euro

The key figures relating to the associated companies is reported below:

Investments in associates	Registered office	Share capital	% of control of the Group	Shareholders' Equity	Result for the year
Rofin 2008 Srl	Rome	10,000	30.00	6,970	**(1,563)**

Euro

The investments in other companies consist of:

Investments in other companies			01.01.2015	Increases/ (Decreases)	Revaluations/ (Write-downs)	31.12.2015
E-Care SpA	Rome	15.00	27,426	-	(8,639)	18,787
Banca Popolare di Vicenza			6,250	-	-	6,250
Total			**33,676**	**-**	**(8,639)**	**25,037**

Investments in other companies			01.01.2016	Increases/ (Decreases)	Revaluations/ (Write-downs)	31.12.2016
E-Care SpA	Rome	15.00	18,787	-	(18,787)	-
Banca Popolare di Vicenza			6,250	-	(6,240)	10
Total			**25,037**	**-**	**(25,027)**	**10**

Euro

3. EQUITY INVESTMENTS AND NON-CURRENT SECURITIES

The breakdown is as follows:

AFS Investments	01.01.2015	Reclassifications	Increases/ (Decreases)	Fair value change	31.12.2015
Assicurazioni Generali SpA	56,950,000	-	-	(268,000)	56,682,000
UniCredit SpA	-	-	5,110,000	25,000	5,135,000
Totale	**56,950,000**	**-**	**5,110,000**	**(243,000)**	**61,817,000**

AFS Investments	01.01.2016	Reclassifications	Increases/ (Decreases)	Fair value change	31.12.2016
Assicurazioni Generali SpA	56,682,000	-	-	(9,380,000)	47,302,000
UniCredit SpA	5,135,000	-	(5,135,000)	-	-
Totale	**61,817,000**	**-**	**(5,135,000)**	**(9,380,000)**	**47,302,000**

Number	01.01.2015	Reclassifications	Increases/(Decreases)	31.12.2015
Assicurazioni Generali SpA	3,350,000	-	-	3,350,000
UniCredit SpA	-	-	1,000,000	1,000,000

Number	01.01.2016	Reclassifications	Increases/(Decreases)	31.12.2016
Assicurazioni Generali SpA	3,350,000	-	-	3,350,000
UniCredit SpA	1,000,000	-	(1,000,000)	-

Euro

During the year shares in UniCredit SpA were sold on the market, resulting in a loss of Euro 2,925,047.
The changes in the fair value reserve are reported below:

Fair Value reserve	01.01.2015	Reclassifications	Increases	Decreases	31.12.2015
Fair Value reserve	10,491,026	-	-	(243,000)	10,248,026
Tax effect	(144,252)	-	15,576	-	(128,676)
Fair value reserve, net of tax effect	**10,346,774**	**-**	**15,576**	**(243,000)**	**10,119,350**

Fair Value reserve	01.01.2016	Reclassifications	Increases	Decreases	31.12.2016
Fair Value reserve	10,248,026	-	-	(9,405,000)	843,026
Tax effect	(128,676)	-	118,560	-	(10,116)
Fair value reserve, net of tax effect	**10,119,350**	**-**	**118,560**	**(9,405,000)**	**832,910**
Changes in the year					**(9,286,440)**

Euro

In relation to the disclosure required by IFRS 13, concerning the so-called "hierarchy of fair value", the shares available for sale belong to level one, as defined by paragraph 27 A (IFRS 13), as concerning financial instruments listed on an active market.

4. DEFERRED AND CURRENT TAXES

The deferred tax assets refer to losses carried forward and temporary differences between the values recorded in the financial statements and the corresponding values recognised for tax purposes.

The movements are shown below of the deferred tax assets and liabilities:

	01.01.2015	Provisions	Utilisations	Other changes	31.12.2015
Deferred tax assets					
Tax losses carried forward	34,040,312	442,928	(697,570)	(1,663,553)	32,122,117
Others	56,858	15,125	(13,200)	-	58,783
Total	**34,097,170**	**458,053**	**(710,770)**	**(1,663,553)**	**32,180,900**
Deferred tax liabilities					
Others	144,707	-	-	(15,626)	129,081
Total	**144,707**	**-**	**-**	**(15,626)**	**129,081**
Net deferred tax assets	**33,952,463**	**458,053**	**(710,770)**	**(1,647,927)**	**32,051,819**

	01.01.2016	Provisions	Utilisations	Other changes	31.12.2016
Deferred tax assets					
Tax losses carried forward	32,122,117	945,311	-	2,969,574	35,764,002
Others	58,783	11,760	(15,125)	1,580	56,998
Total	**32,180,900**	**957,071**	**(15,125)**	**2,698,154**	**35,821,000**
Deferred tax liabilities					
Others	129,081	-	-	(118,560)	10,521
Total	**129,081**	**-**	**-**	**(118,560)**	**10,521**
Net deferred tax assets	**32,051,819**	**957,071**	**(15,125)**	**2,816,714**	**35,810,479**

Euro

The other changes in deferred tax assets and liabilities include the deferred tax assets recorded due to the losses incurred by the subsidiaries within the tax consolidation.

The calculation of deferred tax assets and liabilities took account of the reduction in the IRES rate from 27.5% to 24% from the tax period subsequent to December 31st 2016, under the 2016 Stability Law (Law No. 208 of December 28th 2015).

Based on the 2016-2020 forecasts, sufficient assessable income will be realised to recover the deferred tax assets recorded in the financial statements at December 31st 2016, also under the tax consolidation in force.

The balance sheet includes receivables for current taxes, including tax credits of Euro 13,739, withholding taxes on interest income for Euro 101,473 and the IRAP receivable of Euro 1,676.

The income taxes for the year consist of:

	2016	2015
Prior year taxes	-	5,725
Current income taxes	**-**	**5,725**
Deferred tax charge	**-**	**-**
Recording of deferred tax assets	(957,071)	(458,053)
Utilisation of deferred tax assets	15,125	710,770
Deferred tax income	**(941,946)**	**252,717**
Total income taxes	**(941,946)**	**258,442**

Euro

The breakdown of income taxes is as follows:

	2016	2015
Prior year IRAP	-	5,725
Current and deferred IRES tax	(941,946)	252,717
Total	**(941,946)**	**258,442**

Euro

The analysis of the difference between the theoretical and actual tax rates in relation to IRES are as follows:

IRES	**2016**		**2015**	
	Amount	**Tax**	**Amount**	**Tax**
Loss before taxes	**(24,848,836)**	**24.00%**	**(14,531,929)**	**27.50%**
Theoretical tax charge	**-**	**(5,963,721)**	**-**	**(3,996,280)**
Permanent differences increase (decrease):				
Dividends		(734,829)		(562,534)
Write-down of equity investments		5,720,224		4,036,467
Revaluations of investments				-
Loss on sale of investments		27,588		-
Change in tax rate				697,570
Other		8,791		77,495
Current and deferred IRES tax		**(941,946)**		**252,718**

Euro

5. TRADE RECEIVABLES

The breakdown is as follows:

	31.12.2016	31.12.2015
Receivables from third parties	14,231	17,695
Receivables from related parties	622,200	384,462
Total trade receivables	**636,431**	**402,157**

Euro

There are no receivables due over 12 months. The value of the receivables reported above approximates their fair value.

6. CURRENT FINANCIAL ASSETS

The breakdown is as follows:

	31.12.2016	31.12.2015
Financial receivables - subsidiaries	66,186,294	48,373,695
Total current financial assets	**66,186,294**	**48,373,695**

Euro

The balance of Euro 66,186,294 represents non-interest bearing loans due within one year, renewable on request, granted respectively to Il Mattino SpA (Euro 27,039,350), Piemme SpA (Euro 18,800,000), Il Gazzettino SpA (Euro 6,596,700), Leggo SpA (Euro 3,158,420), Corriere Adriatico SpA (Euro 1,949,025), Il Messaggero SpA (Euro 5,997,000) and Stampa Napoli 2015 Srl (Euro 2,645,799).
The value of current financial assets approximates their fair value.

7. OTHER CURRENT ASSETS

The breakdown is as follows:

	31.12.2016	31.12.2015
Receivables from subsidiaries	2,776,096	2,674,573
Receivables from third parties	2,264	1,945
Total current assets	**2,778,360**	**2,676,518**

Euro

The receivables from subsidiaries due within one year relate to the companies within the national tax consolidation with Società Imprese Tipografiche Venete SpA for Euro 129,207, with Ced Digital & Servizi Srl for Euro 43,386 and Stampa Roma 2015 Srl for Euro 603,335. The account also includes the receivable from subsidiaries of Euro 189,640 concerning VAT positions from the subsidiary companies within the VAT consolidation. In particular they relate for Euro 167,779 to Piemme SpA, for Euro 8,519 to Leggo SpA, for Euro 13,340 to PIM Srl and Euro 2 to Ced Digital & Servizi Srl.

In addition, the balance includes Euro 509,314 from Finced Srl and Euro 1,301,214 from Il Mattino SpA concerning payments made by Caltagirone Editore SpA as the tax consolidating company, in relation to the tax disputes of the subsidiaries settled in previous years.
The receivables from third parties include receivables from social security institutions and VAT.
The value of other current assets approximates their fair value.

8. CASH AND CASH EQUIVALENTS

The breakdown is as follows:

	31.12.2016	31.12.2015
Bank and postal deposits	122,218,729	145,499,426
Cash in hand and similar	906	895
Total cash and cash equivalents	**122,219,635**	**145,500,321**
of which related parties	*224,669*	*68,115*

Euro

Euro 224,669 concerns bank deposits at related companies concerning for Euro 191,690 UniCredit SpA and for Euro 32,979 Banca Finnat Euramerica SpA.
In relation to the variable rate of liquidity, an annual interest rate increase of 1%, at like-for-like terms, would have a positive impact on the net result of approx. Euro 1.2 million. A decrease in interest rates of the same level would have a corresponding negative impact.
The average rate for funds in the year was 0.2%.

LIABILITIES AND SHAREHOLDERS' EQUITY

9. SHAREHOLDERS' EQUITY

The Share capital amounts to Euro 125 million, consisting of 125 million ordinary shares at a nominal value of Euro 1 each. The number of ordinary shares outstanding did not change during the period.

All of the ordinary shares issued are fully paid-in. There are no shares subject to guarantees or restrictions on the distribution of dividends.

At December 31st 2016, Caltagirone Editore SpA had 2,127,302 treasury shares in portfolio, comprising 1.7018% of the share capital for a value of Euro 2,063,010.

	31.12.2016	31.12.2015
Share Capital	125,000,000	125,000,000
Listing charges	(18,864,965)	(18,864,965)
Treasury shares	(2,063,010)	(1,843,878)
Net Fair Value reserve	832,910	10,119,350
Other Reserves	394,045,095	408,839,372
Net loss	(23,906,890)	(14,790,371)
Total net equity	**475,043,140**	**508,459,508**

Euro

The Other Reserves consist of:

	31.12.2016	31.12.2015
Legal reserve	25,000,000	25,000,000
Share premium reserve	480,703,555	480,922,687
Reserve for treasury shares	2,063,010	1,843,878
Cedfin merger reserve	423,291	423,291
Messaggero Partecipazioni merger reserve	755,983	755,983
IAS leaving indemnity reserve	(1,912)	1,993
Treasury shares sales gains reserves	33,704	33,704
IAS non-recognised asset reversal reserve	16,876,107	16,876,107
Retained earnings/(accum. losses)	(131,808,643)	(117,018,271)
Total	**394,045,095**	**408,839,372**

Euro

The Shareholders' Equity disclosure document with breakdown by individual accounts concerning the availability and usage in previous years is reported below.

SHAREHOLDERS' EQUITY DISCLOSURE AT DECEMBER 31ST 2016

Nature/ Description	Amount 31.12.15	Amount 31.12.16	Possibility of use	Quota available	Summary utilisation in the previous three years		of which until 2007
					to cover losses	for other reasons	
Share Capital	125,000	125,000	-	-	-	-	-
Share capital issue costs	(18,865)	(18,865)	-	-	-	-	-
Share premium reserve	480,923	480,704	A B C	480,704	-	1,230 *	480,704
Legal Reserve	25,000	25,000	B	-	-	-	25,000
IAS Reserve	25,187	15,678	-	-	-	-	-
Merger reserves (Other Reserves)	1,179	1,179	A B C	1,179	-	-	423
Retained earnings	(117,018)	(131,809)	A B C	-	108,964	-	-
Treasury share reserve	1,844	2,063	-	-	-	-	-
	523,250	**498,950**					
Total available				**481,883**		**1,230**	
Non-distributable quota				**(18,865) ****			
Residual distributable amount				**463,018**			

Thousands of Euro

Legend:
A: Share capital increase
B: Coverage of losses
C: Distribution to shareholders

** Utilisations for dividends and constitution of treasury shares buy-back reserve*
*** Article 2433 of the Civil Code*

LIABILITIES

10. PERSONNEL

Post-employment benefits and employee provisions

Post-employment benefits represent a liability relating to the benefits recognised to employees and paid either on termination or after employment service. This liability is a defined benefit plan and therefore is determined applying the actuarial method under the applicable accounting standards.

The assumptions relating to the determination of the plan are summarised in the table below:

	31.12.2016	31.12.2015
Annual technical discounting rate (Post. Em. Ben.)	1.30%	2.00%
Annual inflation rate	1.50%	1.50%
Annual increase in employee leaving indemnity	2.62%	2.62%
Annual increase in salaries	3.00%	3.00%

Values in %

The movements in the year are as follows:

	31.12.2016	31.12.2015
Net liability at January 1st	**101,835**	**95,522**
Current cost for the year	9,433	8,583
Interest charge (income), net	2,037	1,528
Actuarial gains (losses)	5,484	(3,798)
Net liability at December 31st	**118,789**	**101,835**

Euro

The change in the actuarial gain/loss relates to the choice and application of a discount rate considered more in line with the Company situation, which takes account of the changes in the market rates compared to 2015.
The comparison with the liability in accordance with Italian regulations is as follows:

	01.01.2015	31.12.2015	31.12.2016
Nominal value of the provision	92,730	100,597	108,380
Actuarial adjustment	2,792	1,238	10,409
Total	**95,522**	**101,835**	**118,789**

Euro

As illustrated in the movement, the change between the liability determined in accordance with Italian regulations and IFRS is essentially due to the change in the discount rate utilised, as described previously.

Employee numbers and cost

	2016	2015
Wages and salaries	132,412	124,778
Social security charges	42,856	43,196
Post-employment benefit provision	9,432	8,583
Other costs	43,297	276,603
Total labour costs	**227,997**	**453,160**

Euro

The following table shows the average number of employees and consultants by category:

	31.12.2016	31.12.2015	Average 2016	Average 2015
Managers & white collar	3	3	3	3
Journalists	2	3	2	3
Total	**5**	**6**	**5**	**6**

11. CURRENT PROVISIONS

The amount of Euro 206,139 concerns the provision for risks and future charges on the equity deficit of the investments in Stampa Napoli 2015 Srl (Euro 157,010) and Servizi Italia 15 Srl (Euro 49,129). These amounts comprise the excess compared to the book value of the investment, attributable to the company according to its share, following the write-downs of the losses in the current year recorded by the subsidiary.

12. TRADE PAYABLES

	31.12.2016	31.12.2015
Supplier payables	161,322	111,295
Payables to subsidiaries	32,103	41,119
Payables to holding companies	213,500	1,830,000
Payables to other Group companies	12,924	37,872
Total	**419,849**	**2,020,286**
of which related parties	*258,527*	*1,908,991*

Euro

At December 3st, 2016, trade payables amounted to Euro 161,322 (Euro 111,295 at December 31st 2015) and fully payable within one year, of which Euro 93,136 for invoices to receive.
The payables to subsidiaries relate to invoices received from Quotidiano di Puglia SpA (Euro 3,053), Il Messaggero SpA (Euro 328) and Servizi Italia 15 Srl (Euro 1,081) for interest on loans received at normal market conditions. The balance includes Euro 27,642 for invoices to be received from Piemme SpA, for expenses advanced by the subsidiary.
The payable to parent companies concerns the invoices received by Caltagirone SpA for services provided during the year.
Payables to other Group companies concern the companies under common control for services provided.
There are no payables due over 12 months.
The value of payables at December 31st 2016 approximates their fair value.

13. CURRENT FINANCIAL LIABILITIES

	31.12.2016	31.12.2015
Current financial payables		
Due to subsidiaries	2,748,395	7,244,552
Total	**2,748,395**	**7,244,552**

Euro

The balance of Euro 2,748,395 concerns the payables relating to loans at market rates granted by Il Quotidiano di Puglia SpA (Euro 2,030,000) and Servizi Italia 15 Srl (Euro 718,000).

The interest rates at the balance sheet date on the current liabilities are as follows:

	2016	2015
Current financial liabilities		
Payables to subsidiaries	0.15	0.75

Values in %

14. OTHER CURRENT LIABILITIES

	31.12.2016	31.12.2015
Other current payables		
Social security institutions	14,495	13,789
Employee payables	27,202	21,449
Payables to subsidiaries	30,800,493	28,040,450
Other payables	5,561,929	5,516,472
Total	**36,404,119**	**33,592,160**

Euro

The other payables to subsidiaries refer to transactions with the companies in the fiscal consolidation and the VAT consolidation. The breakdown is presented in the table below:

	31.12.2016	31.12.2015
Centro Stampa Veneto SpA	195,456	193,045
Il Messaggero SpA	5,338,804	5,410,638
Il Mattino SpA	5,124,945	4,908,465
Leggo SpA	4,372,597	4,304,793
Il Gazzettino SpA	4,651,075	5,084,660
Piemme SpA	2,645,220	2,135,084
Finced Srl	3,292,199	2,949,730
Corriere Adriatico SpA	3,036,473	2,757,169
Quotidiano di Puglia SpA	512,802	279,005
Ced Digital & Sevizi Srl	-	15,343
Imprese Tipografiche Venete SpA	10,582	2,518
Pim SpA	13,352	-
Stampa Napoli 2015 Srl	37,714	-
Servizi Italia 15 Srl	1,569,274	-
Total	**30,800,493**	**28,040,450**

Euro

The account "Other payables" of Euro 5,561,929 includes Euro 4,873,306 as amounts available to the Board of Directors in accordance with Article 25 of the Company By-Laws, which provides for the allocation of 2% of the net profits to this account.
The other amounts concern emoluments due to Directors and Statutory Auditors and personnel withholding tax payables.

INCOME STATEMENT

15. OTHER OPERATING REVENUES

	2016	2015
Other operating revenues	-	19,993
Other revenues and income from related parties	701,357	701,356
Total revenues from sales and services	**701,357**	**721,349**

Euro

The other revenues and income from related parties concern administrative, financial and tax assistance services provided to Group companies.

16. OTHER OPERATING COSTS

	2016	2015
Rent, leases and similar costs	364,252	365,910
Services	1,632,648	1,991,789
Other operating charges	80,590	100,872
Total other operating costs	**2,077,490**	**2,458,571**
of which related parties	*1,107,048*	*1,404,018*

Euro

The costs "Rent, leases and similar" refer entirely to the headquarters of the Company, provided by a company under common control at market rents.
The account "services" includes the remuneration of the Board of Statutory Auditors for Euro 37,200, the Board of Directors for Euro 310,000 and the audit firm for Euro 30,300 (excluding the Co.n.so.b contribution, the ISTAT adjustment and expenses). The account also includes the fee to Caltagirone S.p.A. for administrative, financial and tax assistance services (Euro 700,000).

17. AMORTISATION, DEPRECIATION, PROVISIONS & WRITE-DOWNS

	2016	2015
Depre. property, plant & equipment	1,357	1,765
Total amortisation, depreciation, provisions & write-downs	**1,357**	**1,765**

Euro

18. NET FINANCIAL INCOME/(CHARGES)

	2016	2015
Dividends from subsidiaries	689,931	143,240
Dividends from other companies	2,526,951	2,010,000
Interest income from bank deposits	390,283	806,288
Total financial income	**3,607,165**	**2,959,528**
of which related parties	*3,216,882*	*2,153,345*

Euro

Dividends from subsidiaries refer to the related company Ced Digital & Servizi Srl, while dividends from other companies relate to Assicurazioni Generali SpA (Euro 2,412,000) and UniCredit SpA, (Euro 114,951 through allocation of 43,478 shares). The interest income on bank deposits of Euro 390,283 is representative of the return on the liquidity invested.

	2016	2015
Loss on disposal of investments	2,950,074	-
Write-down of equity invest. & securities	23,834,266	14,678,060
Interest on bank accounts	476	3,703
Banking commissions and charges	27,505	357,000
Interest expense from subsidiaries	16,156	74,071
Financial charges from discounting	2,037	1,528
Others	20,000	184,948
Total financial charges	**26,850,514**	**15,299,310**
of which related parties	*59,056*	*117,992*

Euro

The amount of Euro 2,950,074 relates to the losses following the sale on the market of UniCredit SpA shares (Euro 2,925,046) and the loss on the investment in E-Care (Euro 18,788) and Banca Popolare di Vicenza (Euro 6,240).
The write-down of investments concern the subsidiaries Leggo SpA (Euro 670,274), Corriere Adriatico SpA (Euro 937,875), Quotidiano di Puglia SpA (Euro 354,489), Piemme SpA (Euro 2,866,527), Finced Srl (Euro 18,686,288), Servizi Italia 15 Srl (Euro 150,278), Stampa Roma 2015 Srl (Euro 1,530) and Stampa Napoli 2015 Srl (Euro 167,005). For further details, reference should be made to Note No. 2 and No. 11.
The interest charges from subsidiaries concerns the loans received at market rates from Il Messaggero SpA (Euro 9,530), Quotidiano di Puglia SpA (Euro 5,078), Ced Digital & Servizi Srl (Euro 468) and Servizi Italia 15 Srl (Euro 1,080).

19. TRANSACTIONS WITH RELATED PARTIES

The transactions of the company with related parties, including inter-group operations, generally relate to normal operations and are regulated at market conditions and principally relate to the exchange of goods, the provision of services, the provision and use of financial resources of associated companies and subsidiaries as well as with other companies belonging to the Caltagirone Group or under common control.
There are no atypical or unusual transactions which are not within the normal business operations. Where such operations exist, detailed information is provided in the present paragraph.

31.12.2015	Parent Company	Subsidiaries	Associated Companies	Companies under common control	Other related parties	Total related parties	Total book value	% on total account items
Balance sheet transactions								
Trade receivables	-	384,462	-	-	-	**384,462**	**402,157**	**95.60%**
Current financial assets	-	48,373,695	-	-	-	**48,373,695**	**48,373,695**	**100.00%**
Other current assets	-	2,674,573	-	-	-	**2,674,573**	**2,676,518**	**99.93%**
Cash and cash equivalents	-	-	-	-	68,115	**68,115**	**145,500,321**	**0.05%**
Trade payables	1,830,000	41,119	37,872	-	-	**1,908,991**	**2,020,286**	**94.49%**
Current financial liabilities	-	7,244,552	-	-	-	**7,244,552**	**7,244,552**	**100.00%**
Other current liabilities	-	28,040,450	-	-	-	**28,040,450**	**33,592,160**	**83.47%**
Income statement transactions								
Other operating revenues	-	690,000	-	11,356	-	**701,356**	**721,349**	**97.23%**
Other operating expenses	1,000,000	19,800	-	384,218	-	**1,404,018**	**2,458,571**	**57.11%**
Financial income	-	143,240	-	-	2,010,105	**2,153,345**	**2,959,528**	**72.76%**
Financial expenses	-	74,071	-	-	43,921	**117,992**	**630,364**	**18.72%**

31.12.2016	Parent Company	Subsidiaries	Associated Companies	Companies under common control	Other related parties	Total related parties	Total book value	% on total account items
Balance sheet transactions								
Trade receivables	-	622,200	-	-	-	**622,200**	**636,431**	**97.76%**
Current financial assets	-	66,186,294	-	-	-	**66,186,294**	**66,186,294**	**100.00%**
Other current assets	-	2,776,096	-	-	-	**2,776,096**	**2,778,360**	**99.92%**
Cash and cash equivalents	-	-	-	-	224,669	**224,669**	**122,219,635**	**0.18%**
Trade payables	213,500	32,103	12,924	-	-	**258,527**	**419,849**	**61.58%**
Current financial liabilities	-	2,748,395	-	-	-	**2,748,395**	**2,748,395**	**100.00%**
Other current liabilities	-	30,800,493	-	-	-	**30,800,493**	**36,404,119**	**84.61%**
Income statement transactions								
Other operating revenues	-	690,000	-	11,357	-	**701,357**	**701,357**	**100.00%**
Other operating expenses	700,000	43,500	-	363,548	-	**1,107,048**	**2,077,490**	**53.29%**
Financial income	-	689,931	-	-	2,526,951	**3,216,882**	**3,607,165**	**89.18%**
Financial expenses	-	16,156	-	-	42,900	**59,056**	**66,174**	**89.24%**

Euro

For further information on the breakdown of the individual accounts reported above, reference should be made to the comments concerning each area of the financial statements.

20. NET CASH POSITION

	31.12.2016	31.12.2015
A. Cash	906	895
B. Bank deposits	122,218,729	145,499,426
D. Liquidity (A)+(B)	**122,219,635**	**145,500,321**
E. Current financial receivables	**67,185,794**	**48,373,695**
F. Short-term bank payables	-	-
G. Current portion of non-current debt	-	-
H. Current payables to other lenders	2,748,395	7,244,552
I. Current debt (F)+(G)+(H)	**2,748,395**	**7,244,552**
J. Net current cash position (I)-(E)-(D)	**(186,657,034)**	**(186,629,464)**
K. Non-current bank payables	-	-
L. Non-current payables to other lenders	-	-
M. Non-current financial debt (K)+(L)	**-**	**-**
N. Net Cash Position (J)+(M)	**(186,657,034)**	**(186,629,464)**

Euro

21. OTHER INFORMATION

Assignments conferred to the audit firm and related remuneration

The table below shows the payments made to the audit firm PricewaterhouseCoopers SpA in accordance with Article 149 of Consob Resolution No. 11971/99 in 2016.

Company	Audit Firm	Period	Audit fees *
Caltagirone Editore SpA	PricewaterhouseCoopers SpA	2012/2020	29,000

Euro

** The amount does not include the Consob contribution and the ISTAT adjustment*

22. GUARANTEES AND COMMITMENTS

At December 31st 2016 the Group had sureties, guarantees and other commitments totalling Euro 38,942,000 (unchanged from December 31st 2015).

23. HIERARCHY OF FAIR VALUE ACCORDING TO IFRS 13

In relation to financial instruments recorded at Fair Value, IFRS 13 requires that these values are classified based on a hierarchy of levels which reflects the sources of the input utilised in the determination of the Fair Value. Therefore the following hierarchy levels are established:

level 1: determination of fair value based on prices listed in active markets by class of asset or liability subject to valuation;

level 2: determination of Fair Value based on input other than the listed prices included at level 1 but which are directly observable (prices) and indirectly (derivatives from prices) on the market; instruments not characterised by sufficient level of liquidity or which do not express in a continuous manner a "binding" market listing are included in this category;

level 3: determination of fair value based on valuation models whose input is not based on observable market data.

The following table shows the hierarchy level for the assets and liabilities which are valued at Fair Value:

31.12.2015	Note	Level 1	Level 2	Level 3	Total
AFS Financial assets valued at Fair Value	3	61,817,000	-	-	**61,817,000**
Total Assets		**61,817,000**	**-**	**-**	**61,817,000**

31.12.2016	Note	Level 1	Level 2	Level 3	Total
AFS Financial assets valued at Fair Value	3	47,302,001	-	-	**47,302,001**
Total Assets		**47,302,001**	**-**	**-**	**47,302,001**

Euro thousands

In 2016 there were no transfers between the various levels.

Declaration of the Financial Statements as per Art. 81 - ter of Consob Regulation No. 11971 of May 14th 1999 and subsequent modifications and integrations

1. The undersigned Francesco Gaetano Caltagirone, as Chairman of the Board of Directors, and Fabrizio Caprara, executive responsible for the preparation of the corporate accounting documents of Caltagirone Editore S.p.A., affirm, and also in consideration of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24th 1998:

   - the accuracy of the information on company operations and
   - the effective application,

   of the administrative and accounting procedures for the compilation of the financial statements for 2016.

2. The activity was undertaken evaluating the organisational structure and the execution, control and monitoring processes of the business activities necessary for the preparation of the financial statements.
   In relation to this, no important matters arose.

3. It is also declared that:

3.1 the financial statements:

   a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19th 2002;

   b) correspond to the underlying accounting documents and records;

   c) provide a true and correct representation of the balance sheet, financial situation and result for the year of the issuer.

3.2 The Directors' Report, prepared using a standard format for both the individual and consolidated financial statements, includes a reliable analysis on the performance and operating result as well as the situation of the issuer, together with a description of the principal risks and uncertainties to which they are exposed.

Rome, March 8th 2017

The Chairman	**The Executive Responsible**
Mr. Francesco Gaetano Caltagirone	Mr. Fabrizio Caprara

CALTAGIRONE EDITORE

SUBSIDIARIES FINANCIAL STATEMENTS

IL MESSAGGERO SPA
ASSETS

	31.12.2016	31.12.2015
A) RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**-**	**-**
B) FIXED ASSETS		
I - INTANGIBLE ASSETS		
5) Goodwill	43,587,882	47,220,206
6) Assets in progress and advances	23,439	87,498
7) Other	175,927	202,761
TOTAL	**43,787,248**	**47,510,465**
II - TANGIBLE ASSETS		
1) Land and buildings	16,187,960	16,800,620
2) Plant and machinery	69,567	8,039,486
3) Industrial and commercial equipment	1,756	15,540
4) Other fixed assets	191,005	343,046
5) Assets in progress and advances	158,500	16,598
TOTAL	**16,608,788**	**25,215,290**
III - FINANCIAL ASSETS		
1) Equity investments		
d-bis) other companies	*444,606*	*444,606*
Total equity investments	**444,606**	**444,606**
2) Receivables		
- Due within one year		
c) holding companies	*-*	*4,714,551*
d-bis) others	*30,292*	*30,369*
Total receivables	**30,292**	**4,744,920**
TOTAL FINANCIAL ASSETS	**474,898**	**5,189,526**
TOTAL FIXED ASSETS (B)	**60,870,934**	**77,915,281**

	31.12.2016	31.12.2015
C) CURRENT ASSETS		
I - INVENTORIES		
1) Raw materials, ancillary and consumables	792,844	1,255,224
TOTAL INVENTORIES	**792,844**	**1,255,224**
II - RECEIVABLES		
1) Trade receivables		
- Due within one year	*-*	*1,330,238*
4) Holding companies		
- Due within one year	*1,795*	*383,089*
- Due over one year	*5,242,435*	*5,054,348*
5) Companies controlled by parent company		
- Due within one year	*14,920,663*	*15,118,511*
5-bis) tax receivables	75,451	355,560
5-ter) deferred tax assets	1,902,741	2,025,926
5-quater) Others		
- Due within one year	*500,240*	*965,855*
TOTAL RECEIVABLES	**22,643,325**	**25,233,527**
IV - CASH AND CASH EQUIVALENTS		
1) Banking and postal deposits	60,351	52,229
3) Cash and cash equivalents	1,984	2,478
TOTAL CASH AND CASH EQUIVALENTS	**62,335**	**54,707**
TOTAL CURRENT ASSETS (C)	**23,498,504**	**26,543,458**
D) PREPAYEMENTS AND ACCRUED INCOME		
2) Prepayments	30,143	71,177
TOTAL PREPAYEMENTS AND ACCRUED INCOME (D)	**30,143**	**71,177**
TOTAL ASSETS	**84,399,581**	**104,529,916**

Euro

IL MESSAGGERO SPA
LIABILITIES

	31.12.2016	31.12.2015
A) SHAREHOLDERS' EQUITY		
I - SHARE CAPITAL	**1,265,385**	**1,265,385**
IV - LEGAL RESERVE	**150,015**	**150,015**
VI - OTHER RESERVES		
- Reserve Law 266/05	*2,229,686*	*2,229,686*
TOTAL OTHER RESERVES	**2,229,686**	**2,229,686**
VIII - RETAINED EARNINGS	**28,215,880**	**34,181,315**
IX - PROFIT/(LOSS) FOR THE YEAR	**(3,872,284)**	**(2,334,435)**
TOTAL SHAREHOLDERS' EQUITY (A)	**27,988,682**	**35,491,966**
B) PROVISIONS FOR RISKS AND CHARGES		
2) Tax provisions, includ, deferred tax liability	11,500,558	14,059,681
3) Other	6,066,909	3,933,427
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	**17,567,467**	**17,993,108**
C) EMPLOYEE LEAVING INDEMNITY	**5,493,630**	**9,009,584**

	31.12.2016	31.12.2015
D) PAYABLES		
3) Shareholder borrowing		
- Due within one year	*5,997,000*	-
4) Bank borrowings		
- Due within one year	*8,330,004*	*15,467,241*
- Due over one year	*3,065,642*	*8,306,334*
Total bank borrowings	**11,395,646**	**23,773,575**
7) Trade payables		
- Due within one year	*3,766,340*	*6,065,695*
11) Holding companies		
- Due within one year	*457,111*	*379,860*
11-bis) Companies controlled by parent company		
- Due within one year	*5,298,786*	*1,873,296*
12) Tax payables		
- Due within one year	*796,907*	*1,224,336*
13) Payables to social security institutions		
- Due within one year	*1,991,624*	*3,117,476*
14) Other payables		
- Due within one year	*3,492,575*	*5,419,380*
- Due over one year	*5,549*	*29,599*
Total other payables	**3,498,124**	**5,448,979**
TOTAL PAYABLES (D)	**33,201,538**	**41,883,217**
E) ACCRUALS AND DEFERRED INCOME		
2) Deferred income	148,264	152,041
TOTAL ACCRUALS AND DEFERRED INCOME (E)	**148,264**	**152,041**
TOTALE LIABILITIES	**84,399,581**	**104,529,916**

Euro

IL MESSAGGERO SPA
INCOME STATEMENT

	2016	2015
A) VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	58,702,720	63,038,725
5) Other revenues and income		
a) Other revenues and income	*2,677,528*	*3,563,740*
b) Operating grants	*127,022*	*87,067*
TOTAL VALUE OF PRODUCTION (A)	**61,507,270**	**66,689,532**
B) COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(5,773,234)	(7,994,406)
7) Services	(29,880,603)	(22,307,898)
8) Rents, lease and similar costs	(1,960,652)	(2,125,765)
9) Personnel costs		
a) Salaries and wages	*(13,098,439)*	*(17,919,969)*
b) Social security charges	*(4,385,180)*	*(6,629,390)*
c) Employee leaving indemnity	*(1,064,214)*	*(1,591,283)*
e) Other costs	*(2,467,923)*	*(2,017,363)*
Total personnel costs	**(21,015,756)**	**(28,158,005)**
10) Amortisation, depreciation and write-downs		
a) Amortisation of intangible fixed assets	*(3,717,202)*	*(3,758,677)*
b) Depreciation of tangible assets	*(1,766,620)*	*(4,876,851)*
Total amortisation, depreciation and write-downs	**(5,483,822)**	**(8,635,528)**
11) Change in inventory of raw materials ancillary, consumables and goods	(462,380)	5,023
14) Other operating costs	(1,155,019)	(1,212,305)
TOTAL COSTS OF PRODUCTION (B)	**(65,731,466)**	**(70,428,884)**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A+B)	**(4,224,196)**	**(3,739,352)**

	2016	2015
C) FINANCIAL INCOME AND CHARGES		
15) Financial income from investments		
e) Dividends	*29,419*	*58,837*
TOTAL	**29,419**	**58,837**
16) Other financial income		
d) Income other than above		
3 - Holding companies	*9,530*	*51,227*
5 - Others	*47*	*26,624*
TOTAL OTHER FINANCIAL INCOME	**9,577**	**77,851**
17) Interest and other financial charges		
4 - Others	*(441,960)*	*(427,433)*
TOTAL	**(441,960)**	**(427,433)**
17-bis) Exchange losses	(204)	(572)
TOTAL FINANCIAL INCOME AND CHARGES (C) (15+16+17+17bis)	**(403,168)**	**(291,317)**
D) ADJUSTMENT OF FINANCIAL ASSETS		
19) Write-down		
a) equity investments	-	(52,351)
TOTAL ADJUSTMENT OF FINANCIAL ASSETS (D)	**-**	**(52,351)**
PROFIT BEFORE TAXES (A+B+C+D)	**(4,627,364)**	**(4,083,020)**
20) Current income taxes and deferred taxes		
a) Current taxes	*(95,447)*	*(95,455)*
b) Deferred tax charge	*4,680*	*(572,700)*
c) Deferred tax income	*845,847*	*2,416,740*
Total income taxes	**755,080**	**1,748,585**
NET PROFIT FOR THE YEAR	**(3,872,284)**	**(2,334,435)**

Euro

PIEMME SPA
ASSETS

	31.12.2016	31.12.2015
A) RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**-**	**-**
B) FIXED ASSETS		
I - INTANGIBLE ASSETS		
7) Other	65,647	94,862
TOTAL INTANGIBLE ASSETS	**65,647**	**94,862**
II - TANGIBLE ASSETS		
4) Other fixed assets	342,739	321,844
TOTAL TANGIBLE ASSETS	**342,739**	**321,844**
III - FINANCIAL ASSETS		
1) Investments in:		
b) associated companies	7,340	7,340
c) receivables due to holding companies	-	-
TOTAL FINANCIAL ASSETS	**7,340**	**7,340**
TOTALE FIXED ASSETS (B)	**415,726**	**424,046**

	31.12.2016	31.12.2015
C) CURRENT ASSETS		
II - RECEIVABLES		
1) Trade receivables *- Due within one year*	*45,078,030*	*49,616,310*
4) Holding Companies *- Due within one year*	*2,673,795*	*2,136,036*
5) Companies controlled by parent company	895,055	838,782
5-bis) Taxes receivable	26,603	238,939
5-ter) Deferred tax	4,552,511	4,826,462
5-quater) Others due within one year	274,336	325,404
TOTAL RECEIVABLES	**53,500,329**	**57,981,933**
IV - CASH AND CASH EQUIVALENTS		
1) Banking and postal deposits	866,115	398,347
3) Cash and cash equivalents	24,309	23,300
TOTAL CASH AND CASH EQUIVALENTS	**890,424**	**421,647**
TOTAL CURRENT ASSETS (C)	**54,390,753**	**58,403,580**
D) PREPAYEMENTS AND ACCRUED INCOME	**130,385**	**195,523**
TOTAL ASSETS	**54,936,864**	**59,023,150**

Euro

PIEMME SPA
LIABILITIES

	31.12.2016	31.12.2015
A) SHAREHOLDERS' EQUITY		
I - SHARE CAPITAL	**2,643,139**	**2,643,139**
IV - LEGAL RESERVE	**528,000**	**528,000**
VI - OTHER RESERVES	**19,930,293**	**19,930,293**
VIII - RETAINED EARNINGS - RETAINED LOSSES	**(17,386,517)**	**(12,222,670)**
IX - PROFIT/(LOSS) FOR THE YEAR	**(2,866,594)**	**(5,163,847)**
TOTAL SHAREHOLDERS' EQUITY (A)	**2,848,322**	**5,714,915**
B) PROVISIONS FOR RISKS AND CHARGES		
4) Other	236,699	251,978
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	**236,699**	**251,978**
C) EMPLOYEE LEAVING INDEMNITY	**837,167**	**852,062**

	31.12.2016	31.12.2015
D) PAYABLES		
3) Shareholders borrowings	18,800,003	11,800,002
4) Bank borrowings *- Due within one year*	*1,457,128*	*4,868,536*
7) Trade payables *- Due within one year*	*8,380,989*	*9,211,959*
11) Holding companies *- Due within one year*	*167,779*	*162*
11-bis) Companies controlled by parent company	20,532,094	24,517,929
12) Tax payables *-Due within one year*	*532,121*	*521,877*
13) Payables to social security institutions *- Due within one year*	*426,527*	*478,419*
14) Others *- Due within one year*	*433,513*	*440,027*
TOTALE PAYABLES (D)	**50,730,155**	**51,838,910**
E) PREPAYEMENTS AND ACCRUED INCOME	**284,521**	**365,284**
TOTAL LIABILITIES	**54,936,864**	**59,023,150**

Euro

PIEMME SPA
INCOME STATEMENT

	2016	2015
A) VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	86,199,263	90,163,541
5) Other revenues and income	2,043,956	1,830,304
TOTAL VALUE OF PRODUCTION (A)	**88,243,219**	**91,993,845**
B) COSTS OF PRODUCTION		
6) Purchase of advertising space	(66,706,660)	(69,583,949)
7) Services	(13,343,874)	(14,059,652)
8) Rents, lease and similar costs	(1,931,453)	(2,040,002)
9) Personnel costs		
a) Salaries and wages	*(3,754,697)*	*(3,619,546)*
b) Social security charges	*(1,277,769)*	*(1,261,921)*
c) Employee leaving indemnity	*(306,425)*	*(320,170)*
d) Pension and similar rights	*(7,230)*	*(6,367)*
e) Other costs	*(118,000)*	*(93,700)*
Total personnel costs	**(5,464,122)**	**(5,301,705)**
10) Amortisation, depreciation and write-downs		
a) Amortisation of intangible fixed assets	*(52,805)*	*(124,094)*
b) Depreciation of tangible assets	*(127,807)*	*(126,140)*
d) Write downs current receivables	*(1,509,911)*	*(1,545,861)*
Total amortisation, depreciation and write-downs	**(1,690,524)**	**(1,796,095)**
14) Other operating costs	(485,851)	(462,993)
TOTAL COSTS OF PRODUCTION (B)	**(89,622,484)**	**(93,244,396)**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A+B)	**(1,379,265)**	**(1,250,551)**

	2016	2015
C) FINANCIAL INCOME AND CHARGES		
16) Other financial income		
d) Other income from		
- Other	*51,155*	*38,271*
TOTAL	**51,155**	**38,271**
17) Interest and other financial charges		
- Other	*(265,690)*	*(283,816)*
TOTAL	**(265,690)**	**(283,816)**
TOTAL FINANCIAL INCOME AND CHARGES (C) (16+17)	**(214,535)**	**(245,545)**
PROFIT BEFORE TAXES (A+B+C)	**(1,593,800)**	**(1,496,096)**
22) Income taxes		
a) Current taxes	*(32,567)*	*(39,170)*
b) Deferred tax	*(273,951)*	*(937,362)*
c) Income from tax consolidation	*569,412*	*583,585*
d) Charges from tax consolidation	*-*	*(184,332)*
e) Prior year income taxes	*(1,535,688)*	*(3,090,472)*
Total income taxes	**(1,272,794)**	**(3,667,751)**
23) NET PROFIT FOR THE YEAR	**(2,866,594)**	**(5,163,847)**

Euro

IL MATTINO SPA
ASSETS

	31.12.2016	31.12.2015
A) RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	**-**	**-**
B) FIXED ASSETS		
I - INTANGIBLE ASSETS		
3) Patents, concessions, licenses, trademarks and similar costs	15,000	-
4) Newspapers titles	26,717,800	28,199,650
TOTAL INTANGIBLE ASSETS	**26,732,800**	**28,199,650**
II - TANGIBLE ASSETS		
1) Land and buildings	35,381	5,368,800
2) Plant and machinery	36,272	75,377
4) Other fixed assets	57,226	91,041
TOTAL TANGIBLE ASSETS	**128,878**	**5,535,218**
III - FINANCIAL ASSETS		
1) Equity investments *d-bis) Other companies*	*364,493*	*364,493*
TOTAL FINANCIAL ASSETS	**364,493**	**364,493**
TOTAL FIXED ASSETS (B)	**27,226,171**	**34,099,360**

	31.12.2016	31.12.2015
C) CURRENT ASSETS		
I - INVENTORIES		
1) Raw materials, ancillary and consumables	281,645	352,163
TOTAL INVENTORIES	**281,645**	**352,163**
II - RECEIVABLES		
1) Trade receivables		
- Due within one year	*510,804*	*1,670,461*
4) Holding companies		
- Due within one year	*5,148,476*	*4,931,996*
5) Companies controlled by parent company		
- Due within one year	*5,376,390*	*4,929,164*
5-bis) Taxes receivable		
- Due within one year	*-*	*190,623*
5-ter) Deferred tax	465,984	568,996
5-quater) Others		
- Due within one year	*405,133*	*488,096*
- Due over one year	*32,104*	*28,477*
TOTAL RECEIVABLES	**11,938,891**	**12,807,812**
III - CURRENT FINANCIAL ASSETS		
TOTAL FINANCIAL ASSETS	**-**	**-**
IV - CASH AND CASH EQUIVALENTS		
1) Banking and postal deposits	15,066	8,175
3) Cash and cash equivalents	1,486	1,369
TOTAL CASH AND CASH EQUIVALENTS	**16,552**	**9,544**
TOTAL CURRENT ASSETS (C)	**12,237,088**	**13,169,520**
D) PREPAYEMENTS AND ACCRUED INCOME		
2) Prepayements	6,552	29,622
TOTAL PREPAYEMENTS AND ACCRUED INCOME (D)	**6,552**	**29,622**
TOTAL ASSETS	**39,469,811**	**47,298,502**

Euro

IL MATTINO SPA
LIABILITIES

	31.12.2016	31.12.2015
A) SHAREHOLDERS' EQUITY		
I - SHARE CAPITAL	**500,000**	**500,000**
III - REVALUATION RESERVE	**297,473**	**297,473**
IV - LEGAL RESERVE	**107,681**	**107,681**
VI - OTHER RESERVES		
- Capital grants as per Law 488/92	680,402	740,238
- Capital grants as per Law 67/87	5,746,046	6,251,358
- Share capital paid-in	7,339,900	7,350,000
- Profit reserve reinvested	739	739
TOTAL OTHER RESERVES	**13,767,086**	**14,342,334**
VIII - RETAINED EARNINGS	**(13,575,265)**	**(11,915,371)**
IX - PROFIT/(LOSS) FOR THE YEAR	**(2,986,946)**	**(2,225,042)**
TOTAL SHAREHOLDERS' EQUITY (A)	**(1,889,970)**	**1,107,076**
B) PROVISIONS FOR RISKS AND CHARGES		
2) Tax provisions, including deferred tax liability	2,700,563	2,651,243
4) Others	1,327,517	992,370
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	**4,028,080**	**3,643,613**
C) EMPLOYEE LEAVING INDEMNITY	**2,804,979**	**4,774,106**

	31.12.2016	31.12.2015
D) PAYABLES		
3) Shareholders borrowings		
- Due within one year	*27,052,258*	*27,900,000*
4) Bank borrowings		
- Due within one year	*1,046,427*	*1,176,173*
6) Advances		
- Due within one year	*35,000*	*-*
7) Other lenders		
- Due within one year	*2,121,049*	*2,810,233*
11) Holding companies		
- Due within one year	*1,324,733*	*1,453,979*
11-bis) Companies controlled by parent company		
- Due within one year	*1,242,128*	*435,038*
12) Tax payables		
- Due within one year	*530,222*	*656,797*
13) Payables to social security institutions		
- Due within one year	*301,568*	*811,701*
14) Other payables		
- Due within one year	*790,681*	*1,164,068*
TOTAL PAYABLES (D)	**34,444,067**	**36,407,990**
E) PREPAYEMENTS AND ACCRUED INCOME		
2) Prepayements	82,656	1,365,718
TOTAL PREPAYEMENTS AND ACCRUED INCOME (E)	**82,656**	**1,365,718**
TOTAL LIABILITIES	**39,469,811**	**47,298,502**

Euro

IL MATTINO SPA
INCOME STATEMENT

	2016	2015
A) VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	22,177,184	24,098,896
5) Other revenues and income		
a) Other revenues and income	*430,957*	*749,015*
b) Capital grant contributions	*53,747*	*97,270*
TOTAL VALUE OF PRODUCTION (A)	**22,661,889**	**24,945,181**
B) COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(2,202,234)	(2,525,293)
7) Services	(10,751,933)	(8,402,810)
8) Rents, lease and similar costs	(932,926)	(962,478)
9) Personnel costs		
a) Salaries and wages	*(6,651,127)*	*(8,603,384)*
b) Social security charges	*(2,159,153)*	*(3,132,196)*
c) Employee leaving indemnity	*(561,121)*	*(722,749)*
e) Other costs	*(453,015)*	*(225,213)*
Total personnel costs	**(9,824,416)**	**(12,683,542)**
10) Amortisation, depreciation and write-downs		
a) Amortisation of intangible fixed assets	*(1,496,850)*	*(1,482,257)*
b) Depreciation of tangible assets	*(154,924)*	*(411,194)*
d) Write-downs current receivables	*(200,000)*	*(100,000)*
Total amortisation, depreciation and write-downs	**(1,851,774)**	**(1,993,451)**
11) Change in raw, ancillary and consumable materials and goods	18,531	(73,327)
12) Provisions for risks	(370,000)	(89,000)
14) Other operating costs	(457,681)	(552,322)
TOTAL COSTS OF PRODUCTION (B)	**(26,372,432)**	**(27,282,224)**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A+B)	**(3,710,543)**	**(2,337,043)**

	2016	2015
C) FINANCIAL INCOME AND CHARGES		
16) Other financial income		
d) Income other than above		
5 - Others	*6*	*51*
TOTAL	**6**	**51**
17) Interest and other financial charges		
4 - Others	*(53,286)*	*(43,332)*
TOTAL	**(53,286)**	**(43,332)**
TOTAL FINANCIAL INCOME AND CHARGES (C) (16+17)	**(53,279)**	**(43,281)**
D) ADJUSTMENT OF FINANCIAL ASSETS		
19) Writedowns		
a) in equity investments	*-*	*(73)*
TOTAL ADJUSTMENT OF FINANCIAL ASSETS (D)	**-**	**(73)**
PROFIT BEFORE TAXES (A+B+C+D)	**(3,763,823)**	**(2,380,396)**
20) Income taxes		
a) Current taxes	*-*	*-*
b) Deferred tax charge	*(4,605)*	*-*
c) Deferred tax income	*(152,332)*	*118,123*
e) Income tax receivable on losses from tax consolidation	*933,814*	*37,231*
Total income taxes	**776,877**	**155,354**
NET PROFIT FOR THE YEAR	**(2,986,946)**	**(2,225,042)**

Euro

LEGGO SPA
ASSETS

	31.12.2016	31.12.2015
A) RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	-	-
B) FIXED ASSETS		
I - INTANGIBLE ASSETS		
7) Other	6,667	5,417
TOTAL INTANGIBLE ASSETS	**6,667**	**5,417**
II - TANGIBLE ASSETS		
2) Plant and machinery	23	68
3) Industrial and commercial equipment	2,125	5,041
4) Other fixed assets	4,561	12,543
TOTAL TANGIBLE ASSETS	**6,709**	**17,652**
III - FINANCIAL ASSETS		
2) Receivables		
d-bis) Others	*3,685*	*4,018*
TOTAL FINANCIAL ASSETS	**3,685**	**4,018**
TOTAL FIXED ASSETS (B)	**17,061**	**27,087**

	31.12.2016	31.12.2015
C) CURRENT ASSETS		
I - INVENTORIES	**-**	**-**
II - RECEIVABLES		
1) Trade receivables		
- Due within one year	*30,047*	*29,333*
4) Holding companies		
- Due within one year	*-*	*98,282*
- Due over one year	*4,372,598*	*4,194,913*
5) Companies controlled by parent company		
- Due within one year	*442,518*	*270,034*
5-bis) Taxes receivable	24,992	29,706
5-ter) Deferred tax	30,935	35,665
5-quater) Others		
- Due within one year	*64,714*	*3,751*
TOTAL RECEIVABLES	**4,965,804**	**4,661,684**
III - CURRENT FINANCIAL ASSETS		
	-	-
IV - CASH AND CASH EQUIVALENTS		
1) Banking and postal deposits	277	341
3) Cash and cash equivalents	546	467
TOTAL CASH AND CASH EQUIVALENTS	**823**	**808**
TOTAL CURRENT ASSETS (C)	**4,966,627**	**4,662,492**
D) PREPAYEMENTS AND ACCRUED INCOME		
2) Prepayments	2,651	7,988
TOTAL PREPAYEMENTS AND ACCRUED INCOME (D)	**2,651**	**7,988**
TOTAL ASSETS	**4,986,339**	**4,697,567**

Euro

LEGGO SPA
LIABILITIES

	31.12.2016	31.12.2015
A) SHAREHOLDERS' EQUITY		
I - SHARE CAPITAL	1,000,000	1,000,000
II - SHARE PREMIUM RESERVE	-	-
IX - PROFIT/(LOSS) FOR THE YEAR	(670,609)	(1,463,650)
TOTAL SHAREHOLDERS' EQUITY (A)	329,391	(463,650)
B) PROVISIONS FOR RISKS AND CHARGES	-	-
C) EMPLOYEE LEAVING INDEMNITY	308,799	331,379

	31.12.2016	31.12.2015
D) PAYABLES		
3) Shareholders borrowings	3,158,420	1,859,070
4) Bank borrowings *- Due within one year*	*218,762*	*1,762,598*
7) Trade payables *- Due within one year*	*341,802*	*317,036*
11) Holding companies *- Due within one year*	*8,519*	*85,209*
11-bis) Companies controlled by parent company *- Due within one year*	*355,455*	*547,383*
12) Tax payables *- Due within one year*	*48,537*	*57,248*
13) Payables to social security institutions *- Due within one year*	*145,086*	*154,019*
14) Other payables *- Due within one year*	*71,334*	*47,275*
TOTAL PAYABLES (D)	**4,347,915**	**4,829,838**
E) PREPAYEMENTS AND ACCRUED INCOME		
2) Accrued income	234	-
TOTAL PREPAYEMENTS AND ACCRUED INCOME (E)	**234**	**-**
TOTAL LIABILITIES	**4,986,339**	**4,697,567**

Euro

LEGGO SPA
INCOME STATEMENT

	2016	2015
A) VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	4,235,344	4,160,653
5) Other revenues and income		
a) Other revenues and income	*45,622*	*156,648*
b) Capital grant contributions	*3,881*	*10,739*
TOTAL VALUE OF PRODUCTION (A)	**4,284,847**	**4,328,040**
B) COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(776,276)	(751,867)
7) Services	(2,418,473)	(2,310,425)
8) Rents, lease and similar costs	(512,859)	(496,261)
9) Personnel costs		
a) Salaries and wages	*(920,820)*	*(1,180,263)*
b) Social security charges	*(299,703)*	*(355,510)*
c) Employee leaving indemnity	*(77,334)*	*(89,046)*
e) Other costs	*(25,079)*	*(46,696)*
Total personnel costs	**(1,322,936)**	**(1,671,515)**
10) Amortisation, depreciation and write-downs		
a) Amortisation of intangible fixed assets	*(2,250)*	*(1,083)*
b) Depreciation of tangible assets	*(10,943)*	*(20,566)*
Total amortisation, depreciation and write-downs	**(13,193)**	**(21,649)**
14) Other operating costs	(69,890)	(187,158)
TOTAL COSTS OF PRODUCTION (B)	**(5,113,627)**	**(5,438,875)**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A+B)	**(828,780)**	**(1,110,835)**

	2016	2015
C) FINANCIAL INCOME AND CHARGES		
17) Interest and other financial charges		
4) Others	*(48,683)*	*(42,179)*
TOTAL INTEREST AND OTHER FINANCIAL CHARGES	**(48,683)**	**(42,179)**
TOTAL FINANCIAL INCOME AND CHARGES (C)	**(48,683)**	**(42,179)**
PROFIT BEFORE TAXES (A+B+C)	**(877,463)**	**(1,153,014)**
20) Income taxes		
a) Current taxes	-	-
b) Deferred tax charge	*10,123*	-
c) Deferred tax income	*(4,730)*	*(10,886)*
d) Income tax receivable on losses from tax consolidation	*201,461*	*(299,750)*
Total income taxes	**206,854**	**(310,636)**
NET PROFIT FOR THE YEAR	**(670,609)**	**(1,463,650)**

Euro

IL GAZZETTINO SPA
ASSETS

	31.12.2016	31.12.2015
A) RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	-	-
B) FIXED ASSETS		
I - INTANGIBLE ASSETS		
5) Goodwill	7,516,729	9,020,075
7) Other	2,215	3,691
TOTAL INTANGIBLE ASSETS	**7,518,944**	**9,023,766**
II - TANGIBLE ASSETS		
1) Land and buildings	563,311	595,692
2) Plant and machinery	367	14,491
4) Other fixed assets	105,336	71,423
TOTAL TANGIBLE ASSETS	**669,014**	**681,606**
III - INTANGIBLE ASSETS		
1) Equity investments		
a) Subsidiaries	*5,273,899*	*5,273,899*
d) Other companies	*398,717*	*398,717*
TOTAL FINANCIAL ASSETS	**5,672,616**	**5,672,616**
TOTAL FIXED ASSETS (B)	**13,860,574**	**15,377,988**

	31.12.2016	31.12.2015
C) CURRENT ASSETS		
I - INVENTORIES		
1) Raw materials, ancillary and consumables	157,086	273,306
TOTAL INVENTORIES	**157,086**	**273,306**
II - RECEIVABLES		
1) Trade receivables		
- Due within one year	*166,146*	*1,450,157*
2) Subsidiaries		
- Due within one year	*12,687*	*243,661*
4) Holding companies		
- Due within one year	*4,651,119*	*5,084,659*
5) Companies controlled by parent company		
- Due within one year	*6,403,851*	*4,851,624*
5-bis) Taxes receivable		
- Due within one year	*20,703*	*171,987*
5-ter) Deferred tax		
- Due within one year	*866,486*	*616,018*
- Due over one year	*475,174*	*543,489*
5-quater) Others		
- Due within one year	*31,209*	*65,497*
- Due over one year	*5,000*	*12,100*
TOTAL RECEIVABLES	**12,152,201**	**12,483,603**
IV - CASH AND CASH EQUIVALENTS		
1) Banking and postal deposits	20,701	23,085
3) Cash and cash equivalents	7,666	5,118
TOTAL CASH AND CASH EQUIVALENTS	**28,367**	**28,203**
TOTAL CURRENT ASSETS (C)	**12,337,654**	**12,785,112**
D) PREPAYEMENTS AND ACCRUED INCOME		
- Prepayements	125,650	139,145
TOTAL PREPAYEMENTS AND ACCRUED INCOME (D)	**125,650**	**139,145**
TOTAL ASSETS	**26,323,878**	**28,302,245**

Euro

IL GAZZETTINO SPA
LIABILITIES

	31.12.2016	31.12.2015
A) SHAREHOLDERS' EQUITY		
I - SHARE CAPITAL	**2,000,000**	**2,000,000**
IV - LEGAL RESERVE	**-**	**36,540**
VI - OTHER RESERVES		
- Reserves to cover losses	**1,000,000**	**-**
VIII - RETAINED EARNINGS (LOSSES)	**(100)**	**-**
IX - PROFIT/(LOSS) FOR THE YEAR	**(3,336,874)**	**(2,089,893)**
TOTAL SHAREHOLDERS' EQUITY (A)	**(2,136,974)**	**(53,353)**
B) PROVISIONS FOR RISKS AND CHARGES		
1) Pensions and similar obligations	-	363,971
4) Other	2,980,000	1,530,000
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	**2,980,000**	**1,893,971**
C) EMPLOYEE LEAVING INDEMNITY	**3,488,038**	**4,251,681**

	31.12.2016	31.12.2015
D) PAYABLES		
3) Payables to shareholders for financing *- Due within one year*	*6,600,000*	*5,600,000*
4) Bank borrowings *- Due within one year*	*1,665,018*	*1,672,952*
7) Trade payables *- Due within one year*	*1,656,764*	*2,155,483*
9) Subsidiaries *- Due within one year*	*7,534,239*	*8,028,893*
11) Holding companies *- Due within one year*	*73,200*	*36,600*
11-bis) Companies controlled by parent company *- Due within one year*	*1,208,500*	*519,785*
12) Tax payables *- Due within one year*	*645,183*	*764,032*
13) Payables to social security institutions *- Due within one year*	*1,107,526*	*1,263,421*
14) Other payables *- Due within one year*	*1,404,078*	*2,071,276*
TOTAL PAYABLES (D)	**21,894,508**	**22,112,442**
E) PREPAYEMENTS AND ACCRUED INCOME		
- Prepayements	98,306	97,504
TOTAL PREPAYEMENTS AND ACCRUED INCOME (E)	**98,306**	**97,504**
TOTAL LIABILITIES	**26,323,878**	**28,302,245**

Euro

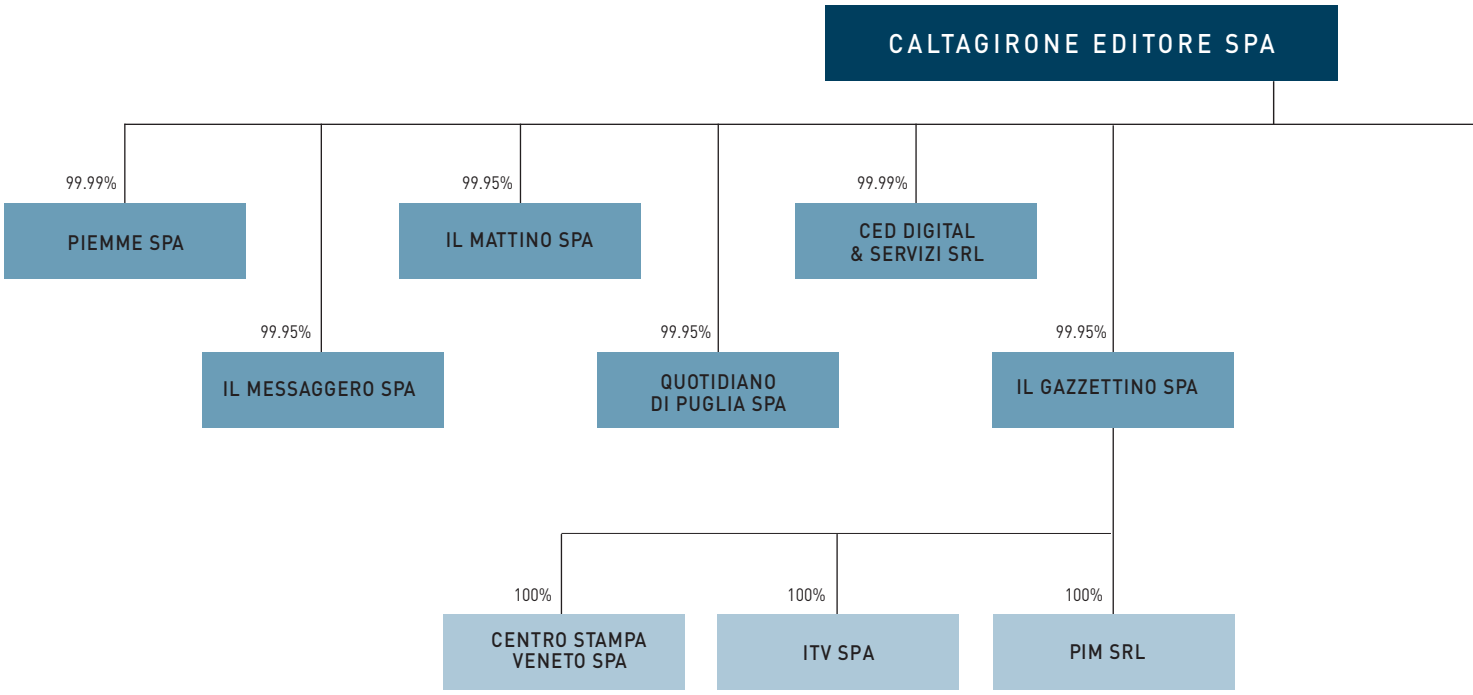
IL GAZZETTINO SPA
INCOME STATEMENT

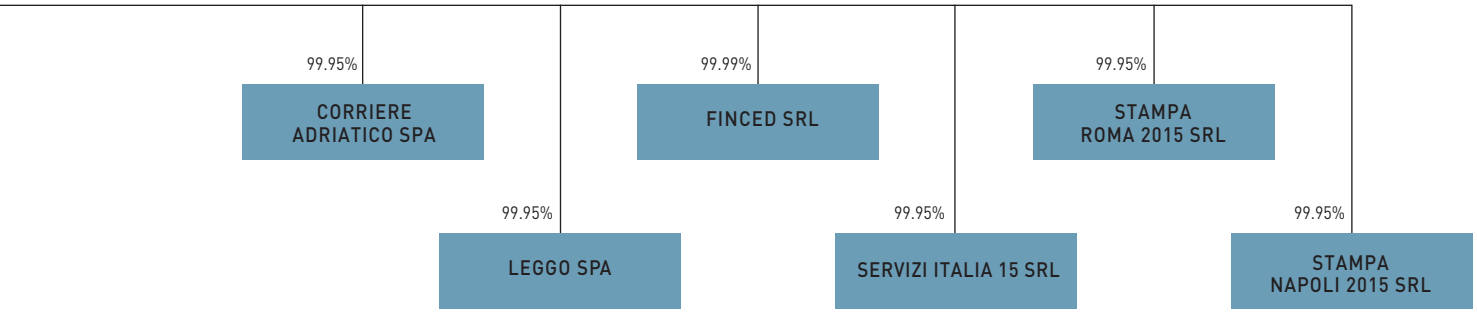
	2016	2015
A) VALUE OF PRODUCTION		
1) Revenues from sales and supply of services	28,414,179	31,447,718
5) Other revenues and income	556,382	806,466
TOTAL VALUE OF PRODUCTION (A)	**28,970,561**	**32,254,184**
B) COSTS OF PRODUCTION		
6) Raw, ancillary and consumable materials and goods	(1,718,557)	(2,129,260)
7) Services	(15,257,987)	(15,000,618)
8) Rents, lease and similar costs	(812,360)	(862,141)
9) Personnel costs		
a) Salaries and wages	*(8,301,638)*	*(9,826,340)*
b) Social security charges	*(2,629,309)*	*(3,149,752)*
c) Employee leaving indemnity	*(677,741)*	*(827,726)*
e) Other costs	*(1,500,450)*	*(522,516)*
10) Amortisation, depreciation and write-downs		
a) Amortisation of intangible fixed assets	*(1,504,822)*	*(1,504,823)*
b) Depreciation of tangible assets	*(63,608)*	*(76,754)*
11) Change in inventory of raw materials ancillary, consumables and goods	(116,220)	70,014
12) Provisions for risks	(81,830)	(155,780)
14) Other operating costs	(503,681)	(528,873)
TOTAL COSTS OF PRODUCTION (B)	**(33,168,203)**	**(34,514,569)**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A+B)	**(4,197,642)**	**(2,260,385)**

	2016	2015
C) FINANCIAL INCOME AND CHARGES		
15) Financial income from investments		
a) Subsidiaries companies	*216,000*	*580,860*
16) Other financial income		
d) Income other than above		
- Others	*10*	*379*
17) Interest and other financial charges		
a) Others	*(109,860)*	*(84,951)*
b) Holding companies	*(157,499)*	*(168,973)*
TOTAL FINANCIAL INCOME AND CHARGES (C) (15+16+17)	**(51,349)**	**327,315**
PROFIT BEFORE TAXES (A+B+C)	**(4,248,991)**	**(1,933,070)**
22) Income taxes		
a) Current taxes	*661,649*	*(89,699)*
b) Deferred tax charge	*250,468*	*(67,124)*
Total income taxes	**912,117**	**(156,823)**
NET PROFIT FOR THE YEAR	**(3,336,874)**	**(2,089,893)**

Euro

CALTAGIRONE EDITORE GROUP
CONTROLLED COMPANIES AND MAIN INVESTMENTS AT DECEMBER 31ST, 2016

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