ITALMOBILIARE
INVESTMENT HOLDING

2016 Annual Report

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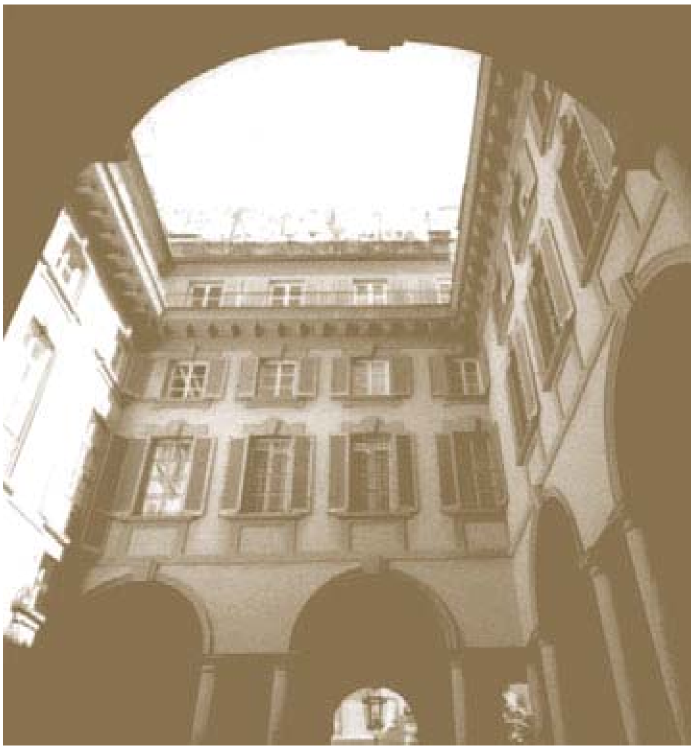


2016
Annual Report

March 2, 2017

ITALMOBILIARE
Società per Azioni

Head Office: Via Borgonuovo, 20
20121 Milan - Italy
Share Capital € 100,166,937
Milan Companies Register

Contents

2016 a year of evolution in the tradition of the Company’s 70-year history

Recognition of Giampiero Pesenti for his career of 50 years

2016 was a particularly intense and significant year for our company. Since the sale of the equity investment in Italcementi in July and the subsequent operation to simplify the capital structure, Italmobiliare has been establishing itself as a modern Investment Holding, revitalizing its role as an investment management company for which it was formed exactly 70 years ago.

Over the years, through a complex path made up of numerous corporate acquisitions and sales involving leading names in the Italian business community, Italmobiliare has favored a medium/long-term vision, which has enabled it to weather times of difficulty in the Italian and international business cycles. As testimony to this strategy, in the last 5 years the Italmobiliare share price has risen by more than 150%, more than seven times faster than the Italian stock exchange over the same period.

Now, after the closing of the agreement with HeidelbergCement, Italmobiliare finds itself in the position it was in when it was first established: developing a diversified portfolio, using the cash generated by the sale of an important asset. Our objective is clear, and targets investments that will ensure significant growth potential over time.

The Italmobiliare investment strategy centers on majority shareholdings where it can employ the expertise acquired in managing national and international business operations, as well as on ‘qualified’ minority shareholdings in diverse sectors, with the focus on companies offering interesting growth prospects or stable investment returns. Another area of interest is investment in private equity funds in order to access growth opportunities in geographical regions or business sectors not directly covered by the company.

Giampiero Pesenti and Carlo Pesenti

The resources and skills that enable us to look confidently ahead to the future are also the consequence of the expertise and dedication of our company Chairman. A member of the Italmobiliare Board of Directors for fifty years, and the head of the company since 1984, Giampiero Pesenti has devoted all his energies to the growth of the Italmobiliare Group, setting development strategies in the various operating segments as well as the management plans for each single investment. Know-how, vision, interest and dedication are the levers with which he has created value for all our stakeholders, not just for our shareholders. And today those levers continue to form the basis of the day-to-day activities of one of Italy’s leading companies.

The Board of Directors expresses its deep gratitude to the Chairman for his extraordinary work for the company over these many years and will propose the appointment of Giampiero Pesenti as Italmobiliare Honorary Chairman.

Carlo Pesenti
Chief Executive Officer - Chief Operating Officer

Our investments, our achievements

Majority holdings

Minority holdings

Private equity funds

Others

Group key financial and business data

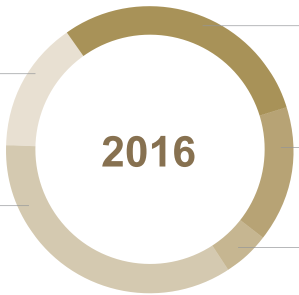
(in millions of euro)	2016	2015 IFRS 5	2014 IFRS 5	2013	2012
Revenue	451.0	402.0	415.3	4,516.1	4,772.2
Gross operating profit (loss)	57.8	(2.0)	64.2	602.8	622.2
Operating profit (loss)	37.4	(19.0)	43.4	129.8	(183.8)
Profit (loss) for the year	68.2	54.8	(50.1)	(154.2)	(474.2)
Profit (loss) attributable to owners of the parent	57.0	7.0	(44.8)	(129.7)	(272.4)
Capital expenditure	356.0	32.3	28.9	356.2	399.2
Total equity	1,334.2	4,329.5	4,286.4	4,333.4	4,715.2
Equity attributable to owners of the parent	1,325.0	1,838.6	1,806.3	1,656.2	1,781.9
Net financial position (debt)	493.5	(2,081.7)	(2,114.8)	(1,830.0)	(1,930.5)
Net financial position / Equity	36.99%	-48.08%	-49.34%	-42.23%	-40.94%
(unit values)					
(Diluted) earnings (losses) per ordinary share	2.601	0.151	(1.191)	(3.448)	(7.239)
Equity attributable per share [1]	57.750	48.864	48.006	44.018	47.359
Dividend paid per share:					
ordinary	1.000	0.400	0.250	0.150	-
savings		0.478	0.390	0.255191	-
Employees (headcount)	2,067	1,917*	1,905*	19,865	20,357

* relating to continuing operations
[1] net of treasury shares in portfolio

Net Asset Value

14.7%
Investments and others

34.6%
Cash and cash equivalents



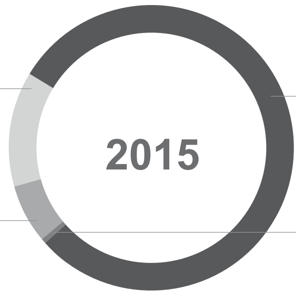
30%
Heidelberg Cement

15.3%
Portfolio Companies

5.4%
Private Equity

12.8%
Investments and others

6.7%
Cash and cash equivalents



79.9%
Italcementi

0.6%
Portfolio Companies

	(million euros)
Heidelberg Cement	490.1
Portfolio Companies	250.3
Private Equity	87.9
Cash and cash equivalents	565.9
Investments and others	240.7
Total NAV at December 31,2016	**1,634.9**

	(million euros)
Italcementi	1,666.0
Portfolio Companies	12.8
Private Equity	-
Cash and cash equivalents	139.8
Investments and others	267.6
Total NAV at December 31,2015	**2.086.2**

On the Stock Exchange

Italmobiliare FTSE MIB

Our history

1946 — 1952 — 1962-78 — 1979 — 1982-86 — 1992-93 — 1994-05

Italcementi, established in 1864, founds Italmobiliare to manage investments in different sector away from the cement business

Acquisition of a stake in Franco Tosi

Diversified investments in RAS, IBI, Falck, Bastogi

Through a reverse merger, Italmobiliare becomes Italcementi parent company as well as the holding of the entire group.
Italmobiliare is admitted to the Milan Stock Exchange in 1980

Financial stakes in Ras and IBI are sold, focus on the main industrial asset Italcementi

1992
Internationalization of Italcementi by the acquisition of Ciment Français

1993
Following the privatization process, Italmobiliare becomes shareholder of Credito Italiano

Diversification of investment portfolio

2016

JANUARY	Investment in BDT Capital Partners Fund II, a fund focused on USA activities
JUNE	Acquisition of Italgen and BravoSolution stakes hold by Italcementi
JULY	Sale of Italcementi stake to HeidelbergCement. Italmobiliare becomes shareholder of the German company
AUGUST	Streamlining of the capital structure through the conversion of the saving shares into ordinary shares
SEPTEMBER	Entering into the private equity sector by the acquisition of Clessidra Sgr and the following subscription of its CCP3 Fund Reduction of the investments in banking sector by selling the stake held in Unicredit

Corporate bodies

Board of Directors

(Term ends on approval of financial statements at 12.31.2016)

Giampiero Pesenti	1	Chairman
Italo Lucchini	1-3	Deputy Chairman
Carlo Pesenti	1-2-6	Chief Executive Officer - Chief Operating Officer
Anna Maria Artoni	5-7	
Giorgio Bonomi	4	
Carolyn Dittmeier	4-5-7	
Sebastiano Mazzoleni	6	
Luca Minoli		
Gianemilio Osculati	6-7	
Clemente Rebecchini		
Paolo Domenico Sfameni	3-4-5-7-10	
Livio Strazzera	1-6-8	
Massimo Tononi	6-7-9	
Laura Zanetti	1-3-6-7	
Afra Casiraghi	11	Secretary to the Board

Board of Statutory Auditors

(Term ends on approval of financial statements at 12.31.2016)

Standing statutory auditors		
Francesco Di Carlo		Chairman
Angelo Casò		
Luciana Ravicini		
Substitute statutory auditors		
Barbara Berlanda		
Paolo Ludovici		
Maria Rachele Vigani		

Manager in charge of financial reporting

Guido Biancali	12

Independent Auditors

KPMG S.p.A.

1 Member of the Executive Committee
2 Director in charge of the internal control and risk management system
3 Member of the Remuneration Committee
4 Member of the Risk & Control Committee
5 Member of the Committee for Transactions with Related Parties
6 Member of the Investment Committee
7 Independent director (pursuant to the Code of Conduct and Legislative Decree no. 58, February 24, 1998)
8 Independent director (pursuant to Legislative Decree no. 58, February 24, 1998)
9 Lead independent director
10 Member of the Supervisory Body
11 As from January 18, 2017
12 As from September 13, 2016

PROFESSIONAL PROFILES OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE BOARD OF STATUTORY AUDITORS

Board of Directors

Giampiero Pesenti - Director since December 5, 1967
Born in Milan, May 5, 1931
Degree in mechanical engineering – Milan Polytechnic.
1958, began working in the Technical Division of Italcementi S.p.A., the family firm established in 1864.
1983, appointed Chief Operating Officer; 1984, Chief Executive Officer; from 2004 Chairman of Italcementi S.p.A. until transfer of control of the company.
1984 to 2014, Chairman-Chief Executive Officer of Italmobiliare S.p.A, subsequently Chairman.
Also currently a director on the boards of Compagnie Monegasque de Banque and Crédit Mobilier de Monaco.

Italo Lucchini - Director since June 17, 1999
Born in Bergamo, December 28, 1943
Degree in economics & commerce – Bocconi University, Milan.
Initially assistant lecturer at Bocconi University and then non-tenured lecturer at Bergamo University, works as a public accountant with a successful practice in Bergamo.
Currently Chairman of the Board of Statutory Auditors of ALMAG S.p.A.
He is also involved in bankruptcy proceedings at Bergamo court, in particular as judicial liquidator of the composition with creditors procedures of Locatelli Geom. Gabriele S.p.A. and three of its subsidiaries.

Carlo Pesenti - Director since June 17, 1999
Born in Milan, March 30, 1963
Degree in mechanical engineering – Milan Polytechnic.
Master in economics & management - Bocconi University, Milan.
After joining the Italcementi group, he gained significant experience in a variety of group production units and especially in the Corporate Finance, Administration & Control Division.
Having held the post of Joint Chief Operating Officer, from 2004 to 2016 he was Italcementi Chief Executive Officer.
Since 1999, member of the Board of Directors of Italmobiliare, the Group holding.
In 2001 appointed Chief Operating Officer and in May 2014 Chief Executive Officer.
Since September 2016, Chairman of Clessidra SGR, an Italmobiliare subsidiary.

Currently a member of the Board of Directors of the European Oncology Institute and of the Cesvi Foundation.

After chairing the Confindustria Reforms Commission, he became a permanent member of the confederation's General Council, of which he was Deputy Chairman (2014-2016).

Since June 2015, member of the Steering Council and Board of Assonime.

From 2006-2008, Co-President of the Italo-Egyptian Business Council. He is also a member of the board of the Italy-India CEO Forum and Co-President of the Italy Thailand Business Forum.

President of the Fondazione Cav. Lav. Carlo Pesenti, active in no-profit projects for social, economic, technological, scientific and cultural innovation.

Anna Maria Artoni - **Director since May 27, 2014**

Born in 1967; lives in Guastalla (Reggio Emilia).

Sole Director of Artoni Group S.p.A., Italy's leading player in transport and integrated logistics. She also holds posts in other family group companies.

Independent director of MutuiOnLine S.p.A. (since April 2014) and of Prelios S.p.A. (since October 2015).

Chair of the Board of Directors of Fidindustria Emilia Romagna soc. coop. from March 2015 to Dececmber 2016.

In November 2013 she became a member of the Permanent Global Consulting and Guarantee committee for privatizations of the Ministry of Economics & Finance.

Since 2010, a director of Linkiesta S.p.A., an online publisher.

Since 2005, a member of the Investment Committee of Credem Private Equity SGR and since 2008 of the Strategic Committee of 21 Investimenti.

Member of the Steering Committee and Board of Assonime.

Since 2004, member of the Advisory Board of the Bologna Business School and the Management Committee of Emba XIII.

Since 1999 member of the President's Committee, the Steering Council and the Board of the Reggio Emilia Industrialists Association.

Giorgio Bonomi - **Director since May 3, 2002**

Born in Bergamo, November 2, 1955

Degree in law – Milan State University.

Law practice in Bergamo. Public accountant.

Carolyn Dittmeier - **Director since May 27, 2014**

Born on November 6, 1956, in the USA; she holds Italian and US nationality.

Degree in economics and commerce - Wharton School, University of Pennsylvania, USA.

Chairman of the Board of Statutory Auditors of Assicurazioni Generali S.p.A. since 2014.

Since 2013 an independent director of Autogrill S.p.A. and Chairman of the Control and Risk Committee.

January 26, 2017, coopted as an independent non-executive director to the board of Alpha Bank A.E., based in Athens.

Since December 2015, consultant to Ferrero International S.A. in Luxembourg, where she is a member of the Audit Committee, an advisory committee that is not part of the Board.

Chairman of the UN Food and Agriculture Organization Audit Committee until 2015.

From 2002 to early 2014, Controller and Chief Audit Officer of Poste Italiane S.p.A..

From 1999 to 2002, she led the Corporate Governance Services practice at KPMG in Italy, as Associate Partner.

From 1987 to 1999, she was a senior executive at the Montedison Group, in charge of Group Financial reporting till 1995, later becoming Head of Internal Auditing.

From 1986 to 1987, Financial Manager for the holding company Iniziative Industriali S.p.A.

From 1978 to 1986, auditor at KPMG (formerly Peat, Marwick & Mitchell) first in the United States in Philadelphia, Pennsylvania, then moving to Italy as Senior Manager at the headquarters in Milan.

Vice Chairman of the Institute of Internal Auditors (IIA), the leading worldwide professional association for internal auditing, (2013-2014), and President of the European Confederation of Institutes of Internal Auditing-ECIIA (2011-2012) and of the Italian Association of Internal Auditors-AIIA (2004-2010).

From 2010 to 2014, professor at LUISS Guido Carli University for courses in Corporate Governance and Internal Auditing.
Author of "La Governance dei Rischi" (Egea, 2015) and "Internal Auditing. Chiave della Corporate Governance" (Egea 2007, 2011).
Statutory Auditor, Certified Public Accountant (US register of chartered accountants), Certified Internal Auditor (CIA), Certified Risk Management Assurance (CRMA).

Sebastiano Mazzoleni - Director since May 25, 2011
Born in Milan, May 11, 1968
Degree in Geology - Milan State University.
Master in Business Administration - Bocconi Business School, Milan.
Began his professional career in 1996 with CTG S.p.A. as a research geologist in charge of assessing raw materials for cement production, coordinating work groups in Italy, France, Spain and Thailand.
2000, moved to Italcementi S.p.A. as Project Manager in the Marketing Division, with joint responsibility for drawing up new product marketing plans and benchmark analyses for development of competitive positioning models.
2003, involved in the creation of the new Group department "New Product Marketing Division", as head of innovation for USA, Greece, Bulgaria, Turkey, Egypt, Thailand, Kazakhstan and India until 2009. Group manager in charge of the new project for enhancement of recoverable resources.
Since 2010 has been involved in non-profit, social entrepreneurship and consultancy on innovation.

Luca Minoli - Director since May 3, 2002
Born in Naples, January 29, 1961
Degree in law, *magna cum laude*, 1985 – Milan State University.
Member of the Italian Bar since 1988. Registered member of the Order of Cassation Lawyers since 2006.
1986 to 1987, associate of Hughes Hubbard & Reed in New York. First associate, later partner from 1991 of the Ardito law firm. Partner, from 2004 to 2012, of the Dewey & LeBoeuf law firm. Partner of the Gattai, Minoli, Agostinelli & Partners law firm.

Gianemilio Osculati - Director since May 25, 2011
Born in Monza, May 19, 1947
Degree in Business Economics – Bocconi University, Milan.
MBA from Indiana University Graduate School of Business; Fulbright Scholar - University Fellow, Teaching Assistant of Finance.
Extensive experience in leading Italian and international consultancy firms, first with The Boston Consulting Group and subsequently at McKinsey & Company, Mediterranean Complex of which he was Managing Director from 1994 to 2004 and Chairman from 2004 to 2007.
CEO of Bank of America and of Italy, of Intesa San Paolo Vita, Chairman of Eurizon Capital; Chief Executive Officer of the Boccini University.
Beneficial owner of Osculati & Partners S.p.A.

Clemente Rebecchini - Director since May 25, 2011
Born in Rome, March 8, 1964
Degree in economics & commerce- La Sapienza University, Rome.
Registered on the Order of Certified Accountants.
Currently Central Director of Mediobanca S.p.A. Vice Chairman of Assicurazioni Generali S.p.A. and a non-executive director of Istituto Europeo di Oncologia S.r.l.

Paolo Domenico Sfameni - Director since May 25, 2011
Born in Milan, November 25, 1965
Degree in economics & commerce – Bocconi University, Milan.
Registered on the Order of Certified Accountants and the Roll of Account Auditors.
From 2000-2002, corporate law consultant at Assonime.
Independent consultant on corporate law, and banking and financial market law.
Director, statutory auditor, bond holders' representative and member of compliance committees of a number of sizeable joint stock companies.
Associate professor of commercial law at the economics faculty of Aosta University, where he was also full professor of European and private law.
Adjunct professor in financial brokerage law at Bocconi University, Milan.
Professor on the F. Stella company's master's degree in criminal law, Milan Catholic University.
Member of the editorial committee of law journals and author of papers on corporate law.

Livio Strazzera - Director since May 3, 2002
Born in Trapani, July 23, 1961
Degree in economics & commerce – Luigi Bocconi University, Milan.
Accountant in Milan and registered public accountant.
Tax consultant and auditor in many business corporations.

Massimo Tononi - Director since May 27, 2014
Born in Trento, August 22,1964
Graduated in Business Economics - Bocconi University, Milan.
Began his career in 1988 at the London office of Goldman Sachs, mainly focusing on corporate mergers and acquisitions.
From 1993 to 1994, he was personal assistant to the Chairman of IRI, before going back to Goldman Sachs in 1994, where he became a Partner managing director, first in Milan and later in London.
From May 2006 to 2008, he was Under-Secretary of State at the Ministry of the Economy & Finance, with responsibility for public debt and State-owned companies. In 2008 he returned to Goldman Sachs, where he worked for another two years.
He was Chairman of Borsa Italiana (2011-2015), Cassa di Compensazione e Garanzia (2013-2015), Euro TLX (2013-2015), Vice President of ABI (2016) and a director of the London Stock Exchange Group (2010-2015) and Sorin (2010-2015).
Currently Chairman of Prysmian and the Istituto Atesino di Sviluppo and a director of Il Sole 24 Ore. He is also member of the Management Committee of Assonime and the Italian Committee for Corporate Governance.

Laura Zanetti - Director since November 14, 2013

Born in Bergamo, July 26, 1970.

Degree in Corporate Economics at the Bocconi University, where she graduated with honors and her dissertation was recommended for publication.

Associate Professor of corporate finance at the Bocconi University in Milan, where she teaches Corporate Valuation.

Director of the degree course in Economics & Finance, member of the steering board of the Department of Finance, Research Fellow of the CAREFIN Center for Applied Research in Finance at the Bocconi University and author of many articles on corporate valuation.

Previously, she was director of the Master of Science in Finance at the Bocconi University, and a Visiting Scholar at the Massachusetts Institute of Technology, the London School of Economics and Political Science, the HKUST (Hong Kong University of Science and Technology).

Certified Acountant and Account Auditor.

Board of Statutory Auditors

Francesco Di Carlo

Born in Milan, October 4, 1969

Degree in economics & commerce – Milan Catholic University. Registered on the Milan Order of Certified Accountants and the Roll of Account Auditors.
Charter member of the Craca Di Carlo Guffanti Pisapia Tatozzi & Associati studio, and for many years has provided consultancy for leading Italian and international corporations on corporate, banking, financial market, insurance, listed issuers and anti-laundering law.
He began his professional career in 1995. In 1996 he joined the Pirola, Pennuto, Zei e Associati studio and in 2000 was a charter member of the Annunziata e Associati practice, where he worked till December 2013.
From 2007 to 2016 he was president of the Law & Legal and Fiscal Consultancy Commission at the Italian Private Banking Association. Among his key current posts, he is Chairman of the Board of Statutory Auditors of Equita SIM S.p.A., acting auditor of Clessidra SGR S.p.A., Indesit Company S.p.A., Openjobmetis S.p.A., Plastitecnica S.p.A. and ABM Italia S.p.A.; a director of Pitagora S.p.A. and U-Start Advisors SIM S.p.A.
Among previous posts, he was Chairman of the Supervisory Body of Kairos Partners SGR S.p.A. and of Kairos Julius Baer SIM S.p.A.
He has lectured at the Catholic University in Milan and at the University of Bologna, in the Economics Faculty. He has lectured on juridical issues at the Bocconi University Business School.
He speaks frequently at conferences in Italy and abroad on topics relating to his area of specialization.

Angelo Caso'

Born in Milan, August 11, 1940

Degree in economics & commerce – Bocconi University, Milan.
Registered on the Milan Order of Certified Accountants and the Register of Account Auditors.
Chaired the Fédération des Experts Comptables Européens (F.E.E.) from 1991 to 1993, after serving as Deputy Chairman for six years.
Since 1993 has cooperated with the International Federation of Accountants (IFAC), holding a variety of roles on committees and the Board.
He was a member of the IFAC Compliance Advisory Panel Committee.
Member of the Milan Arbitration Chamber from 1998 to 2005.
Since 2008 he has chaired the Management Committee of the Organismo Italiano Contabilità (OIC), and from 2004 to 2008 chaired the OIC Scientific Technical Committee.
Board member of EFRAG since January 1, 2015.
Milan court-appointed receiver, judicial receivership commissioner, extraordinary commissioner and liquidator of insurance companies, company liquidator appointed by shareholders and the court of Milan.
Has been a certified accountant since 1965 with offices in Milan
He is a director and a member of the Board of Statutory Auditors of listed and non-listed Italian companies.

Luciana Ravicini

Born in Milan, January 10, 1959

Degree in economics & commerce – University of Brescia.
Registered on the roll of certified accountants of Brescia.
Registered on the roll of statutory auditors.
Practicing accountant and statutory auditor.
Her professional assignments have allowed her to gain broad experience, notably in financial, fiduciary and industrial companies, and to accrue detailed knowledge in legal and tax matters.
She is an acting auditor in companies listed on the Italian Stock Exchange, chairman of the Board of Statutory Auditors, acting auditor and external auditor in industrial, financial and services companies.
She has also gained experience as a director in a company listed on the Milan Stock Exchange, where she also held the role of Chairman of the Committee of Independent Directors as well as full member of the Audit and Risk Committee.

Notice of Call

Those who are entitled to the voting rights at Italmobiliare S.p.A. Annual General Meeting are hereby called to attend the Ordinary and Extraordinary Annual General Meeting on single call on **19 April 2017 at 10.30 a.m.**, in Piazza Belgioioso, 1, Milan at Intesa Sanpaolo meetings' room, to resolve upon the following:

Agenda

Ordinary Items

1) Board of Directors and Board of Statutory Auditors Reports on 2016 fiscal year: examination of financial statements as at December 31, 2016 and related and consequent resolutions;
2) Remuneration Report;
3) Authorization to the purchase and disposal of treasury shares pursuant to article 2357 of the Civil Code subject to the revocation of the previous authorization. Related and consequent resolutions;
4) Authorization to the purchase and disposal of treasury shares by means of a voluntary public tender offer (*OPA volontaria*). Related and consequent resolutions;
5) Appointment of the Board of Directors, upon determination of the term of office and the number of its members. Consequent and consequent resolutions;
6) Determination of the remuneration to be granted to the Board members;
7) Appointment of the Statutory Auditors, of the Chairman of the Board of Statutory Auditors and determination of their compensation;
8) Long-term monetary incentives for members of the Board and managers: related and consequent resolutions.

Extraordinary Items

Stock split and ensuing amendment of article 5 of Bylaws. Related and consequent resolutions.

..*

Entitlement to take the floor and to vote at the Meeting

Those who prove to be entitled to the voting rights at the end of the seventh open market day before the meeting date on single call (6 April 2017 – *Record date*), have the right to take the floor.

Those who will result to be holders of ordinary shares of the Company after such a date will not be entitled to take the floor and vote at the Meeting.

Credit and debit entries registered in the Intermediary accounts' after the above mentioned deadline do not affect the entitlement of the voting right's exercise at the Meeting.

Entitlement to take the floor at the Meeting and to exercise the voting right is proved by a notice served by the authorized Intermediary to the Company, according to its accounting records, in favor of the person/entity who is entitled to the voting right. The captioned notice must reach the Company before the end of the third open market day (i.e. by 12 April 2017) prior to the scheduled Meeting date. No prejudice to the right to take the floor and vote at the Meeting will be suffered should the Company receive the notice after the above mentioned deadline, provided that it is received before the beginning of the Meeting.

Shareholders who own ordinary shares that have not been yet dematerialized must previously deliver them to an Intermediary, in time to be centralized in a dematerialization system and ask for the above mentioned notice.

No voting procedures by correspondence or by means of electronic devices are provided for.

The regularity of the Meeting and the validity of its resolutions on the items on the agenda are governed by law.

Vote by proxy

Those who are entitled to take the floor at the Meeting can be represented by means of written proxy under current law provisions, and can use the form available at our headquarters (**Via Borgonuovo, 20, 20121 Milan**) and on the Company website *www.italmobiliare.it* under section *Governance/General Meetings*. The proxy can be notified to the Company by means of registered letter sent to the headquarters (Shareholders' Office, at the above mentioned address) or by sending it to the address of certified e-mail *soci.itamobiliare@legalmail.it*. The proxy-holder can also deliver or send to the Company a copy of the proxy in place of the original, also on an electronic support, by stating, under his/her own responsibility, that the proxy is a copy of the original, and the identity of the delegating person.

* . * . *

Supplements to the agenda and presentation of new resolutions' proposals

Shareholders who, even jointly, own at least one fortieth of the share capital represented by shares with voting rights, can request in writing, within ten days as of the publication of this notice of call, for supplements to the Meeting agenda, stating in their application which further issues are being suggested or which further resolutions on items already on the Agenda are being proposed. Requests must be sent by means of registered letter to the headquarters (Legal and Corporate Affairs Department – to the above mentioned address) or by sending notice to the address of certified e-mail: *affarisocietari.italmobiliare@legalmail.it*, along with the proper documentation issued by an authorized Intermediary providing evidence of the ownership of the above mentioned percentage of the share capital. A report on the items whose examination is proposed or the reason relating to additional proposed resolutions presented on items already on the agenda must be delivered to the Board of Directors by the same deadline and following the same procedure.

The supplement to the items on the agenda or the presentation of new resolutions' proposals on items already on the agenda will be disclosed to the public, following the same procedure provided for the publication of this notice of call, at least fifteen days before the Meeting date (i.e. by 4 April 2017); at the same time, the report drafted by shareholders who made the request will be publicly available, along with relevant remarks, if any, made by the Board of Directors.

A supplement to the agenda is not accepted for those items the Meeting, under the applicable law, resolve upon proposal of the directors or based on Board's project or report.

Right to raise questions on the items on the agenda

Those who are entitled to the voting rights can also submit questions on the items on the agenda before the Meeting. The questions must be received by the Company by 16 April, 2017 by means of a registered letter sent to the headquarters (Legal and Corporate Affairs Department – at the above mentioned address) or by sending notice to the address of certified e-mail: *affarisocietari.italmobiliare@legalmail.it* along with proper documentation issued by an Intermediary providing evidence of the entitlement to the voting right.

Questions submitted before the Meeting will be answered during the Meeting at the latest. The Company can provide with a sole answer to questions having the same content.

* . * . *

Appointment of the Board of Directors

Pursuant to Bylaws, the appointment of the Board of Directors shall occur on the basis of lists.

Lists may be presented only by shareholders who, alone or together with other shareholders, can prove they hold, as at the filing date, an overall percentage of the share capital with voting rights no lower than 1%.

No shareholder may present or participate in the presentation of more than one list, neither through third parties or trust company.

Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the Company shares may not present or vote for more than one list, neither through third party or trust companies.

Any lists filed in violation of the above mentioned restrictions are not accepted.

In each list the names of candidates must be listed in sequential number.

Lists including a number of candidates equal to or greater than three must be composed of candidates representing both genders, so that one or the other gender represents at least one third (rounded upwards) of the candidates.

Each candidate may be presented on one list only under penalty of ineligibility.

Lists must be filed by means of a registered letter sent to the headquarters (Legal and Corporate Affairs Department – at the above mentioned address) or by sending notice to the address of certified e-mail: *affarisocietari.italmobiliare@legalmail.it* at least 25 days before the Meeting date (i.e. by and not later than 25 March 2017) along with the following documentation:

a) statements by which individual candidates accept their candidature and, under their own responsibility, state the non-existence of ineligibility causes and possession of the integrity requirements set out by law;

b) a brief resume concerning personal and professional skills of each candidate, with indication of their position as director and statutory auditor in other companies;

c) statements of each candidate about the possession of the independence requisites required by the law and the Code of Conduct;

d) information on the identity of shareholders who have submitted the lists;

e) a statement of the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection with the majority shareholder, as defined by the law in force.

The documentation issued by the authorized Intermediary and providing evidence of the entitlement to the voting right as at the filing date of the lists can be produced also afterwards, but in any case at least 21 days prior to the scheduled Annual General Meeting (i.e. by and not later than 29 March 2017).

Lists filed in breach of the above provisions are considered as not filed.

Shareholders willing to submit lists are Hereby invited to examine recommendations contained in CONSOB Resolution DEM/9017893 dated 26 February 2009.

* . * . *

Appointment of the Board of Statutory auditors

Pursuant to Bylaws, the appointment of the Board of Statutory Auditors shall occur on the basis of lists.

Lists may be presented only by shareholders who, alone or together with other shareholders, can prove they hold, as at the filing date, an overall percentage of the share capital with voting rights no lower than 1%.

No shareholder may present or participate in the presentation of more than one list, neither through third parties or trust company.

Shareholders belonging to the same group and shareholders who are party to a shareholders' agreement on the company shares may not present or vote for more than one list, neither through third party or trust companies.

Lists presented in violation of these restrictions will not be accepted.

Each list shall be made up of two sections: one for candidates for the office of Acting Auditor, the other for the candidates for the office of Substitute Auditor.

The names of no more than three candidates for the office of Acting Auditor and no more than three candidates for the office of Substitute Auditor must be listed in each section, by means of a sequential number.

Lists including a number of candidates equal to or greater than three must be composed of candidates representing both genders, so that one or the other gender represents at least one third (rounded upwards) of candidates to the post of Acting Auditor and at least one third (rounded upwards) of candidates to the post of Substitute Auditor.

Each candidate may be presented on one list only under penalty of ineligibility.

Lists must be filed with the company head office (Legal and Corporate Affairs Department – to the above mentioned address) or by sending notice to the address of certified e-mail: *affarisocietari.italmobiliare@legalmail.it*, at least 25 days before the meeting date on first call (i.e. by 25 March 2017), along with the following documentation:

a) statements by which individual candidate accept their candidature and, under his/her own responsibility, state the non-existence of causes for ineligibility or incompatibility as well as the entitlement of further requirements established by the law, company bylaws and Code of Conduct;

b) a brief resume on the personal and professional skills of each candidate with indication of their position as director and statutory auditor in other companies;

c) information on the identity of shareholders who have presented lists;

d) a statement of the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection with the majority shareholder, as defined by the law in force.

The intermediary certification proving ownership of the shareholding prescribed at the date on which lists are presented may also be produced after the filing of the list provided that it reaches the company within 21 days before the meeting date on first call (i.e. by 29 March 2017).

A list presented not in compliance with the above provisions will be considered as not presented.

In the event, by the deadline of 25 days before the date of the Meeting (i.e. by 25 March 2017), a single list has been filed, or only lists presented by shareholders who are connected to each other under current regulations, further lists can be presented until the following third day, and the threshold of 1% above mentioned will be halved.

Shareholders willing to submit lists are Hereby invited to examine recommendations contained in CONSOB Resolution DEM/9017893 dated 26 February 2009.

* . * . *

Disclosure information

Documentation related to the items on the agenda, draft of Resolutions proposals as well as the Board reports and the other information required by applicable laws and regulations will be made publicly available, within the deadlines set forth by the law, at the headquarters, the authorized storage system *eMarket STORAGE* and on the Company website *www.italmobiliare.it* under section Governance/General Meetings.

Shareholders have the right to review all the documents filed with the headquarters and to obtain a copy thereof.

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Information concerning the share capital and shares with voting rights

The company share capital is equal to Euro 100,166,937, divided into 23,816,900 ordinary shares, no par value.

As at the date of publication of this notice of call, the number of ordinary shares representing share capital with voting rights, therefore net of 874,014 ordinary treasury shares, is equal to 22,942,886.

Milan, 10 March 2017

On behalf of the Board of Directors
Deputy Chairman
Italo Lucchini

Italmobiliare Group

Directors' report

Foreword

Following the adoption by the European Union of Regulation no. 1606 of 2002, the Italmobiliare S.p.A. consolidated financial statements as at and for the year ended December 31, 2016, and the corresponding figures for 2015, have been drawn up in compliance with the International Financial Reporting Standards (IFRS).

The changes in standards and interpretations with respect to the financial statements as at and for the year ended December 31, 2015 had no significant impact on this report and concern the application as from January 1, 2016, of:

- "Annual improvements cycle 2010-2012". The main changes refer to IFRS 3 "Business combinations" (changes in the criteria for the measurement, recognition and classification of potential considerations), IFRS 8 "Operating segments" (clarifications on operating segment disclosures);
- "Annual improvements cycle to IFRS 2012-2015". The main changes are clarifications concerning IFRS 5 "Non-current assets held for sale and discontinued operations";
- IAS 1 "Presentation of financial statements". The changes improve disclosure effectiveness;
- IAS 19 "Employee benefits". The changes are designed to clarify accounting treatment of employee or third-party contributions relating to defined benefit plans;
- IAS 27 "Separate financial statements". The changes have introduced the possibility to apply the equity method in separate financial statements when accounting for investments in subsidiaries, joint ventures and associates;
- IFRS 10 "Consolidated financial statements". Changes with regard to the application of the consolidation exception for investment entities;
- IFRS 12 Changes relating to the "Disclosure of interests in other entities";
- IFRS 11 "Joint arrangements". Amendments to "Accounting for acquisitions of interests in joint operations".

As described in the previous financial reports, on July 28, 2015, Italmobiliare S.p.A. signed an agreement with HeidelbergCement to sell its entire equity stake in Italcementi. Under the agreement, on June 30, 2016 Italmobiliare purchased from Italcementi S.p.A. the equity investments held in e-procurement (BravoSolution group) and in renewable energy (Italgen group) as well as some properties located in Rome, which, as in 2015, have been consolidated on a line-by-line basis.

Consequently, the assets in question have been accounted for in compliance with IFRS 5, showing income statement items under a single specific caption ("Profit (loss) relating to discontinued operations, net of tax effects") both for the year under review and for 2015. The caption "Profit (loss) relating to discontinued operations, net of tax effects" also includes, in compliance with IFRS 5, the gain arising from the sale of the subsidiary Italcementi S.p.A. to the German group HeidelbergCement on July 1, 2016.

As a consequence of the withdrawal of Italcementi from the scope of consolidation of the Italmobiliare Group, the operating segment disclosure has been reviewed in accordance with IFRS 8; three segments have been defined:

- The "Industrial and services for industry segment", which includes the e-procurement operations (BravoSolution group) and the renewable energy operations (Italgen group) previously controlled directly by Italcementi S.p.A., as well as the operations, already directly held by Italmobiliare, in food packaging (Sirap Gema group);
- The "Financial and private equity segment", which includes the operations of the parent Italmobiliare and the financial subsidiary Franco Tosi S.r.l. (the so-called holding system) and also the recently acquired subsidiary Clessidra SGR (September 2016);
- The "Other activities" segment, which includes the remaining operations relating to services and real estate management, which are of marginal importance in the Group.

Performance indicators

To assist understanding of its financial data, for several years the Group has consistently employed a number of widely used indicators, which are not contemplated by the IAS/IFRS. In particular, the income statement presents the following intermediate indicators/results: gross operating profit (loss) and operating profit (loss), computed as the sum of the preceding items. As a result of the amendments to IAS 1 relating to the income statement, the intermediate result "recurring gross operating profit (loss)" is no longer shown. For comparative purposes, the expense and revenue items classified in the 2015 financial statements as "non-recurring" have been appropriately reclassified. On the face of the statement of financial position, similar considerations apply to net financial debt, whose components are detailed in the specific section of the notes. Since the indicators employed by the Group are not envisaged by the IFRS, their definitions may not coincide with and therefore not be comparable to those adopted by other companies/groups.

This report contains many financial and non-financial performance indicators, including those indicated above. The financial indicators, taken from the financial statements, are used in the tables summarizing the Group's financial position and performance, in relation to comparative amounts and to other amounts from the same year (e.g., change in revenue, gross operating profit (loss) and operating profit (loss) with respect to the previous year, and change in their incidence on revenue). The use of amounts not directly reflected in the financial statements (e.g. the exchange-rate effect on revenue and on profit or loss for the year) and the presentation of comments and assessments assist qualification of the trends in the amounts concerned.

The directors' report also provides a series of financial ratios (gearing and leverage) that are clearly of importance for a better understanding of the performance of the Group, especially with respect to previous years. The non-financial indicators refer to external and internal elements: the situation of the general economy and the industries in which the Group operates, trends on the various markets and operating segments, trends in sales prices and cost factors, acquisitions and disposals, other significant events in the year, organizational developments, the introduction of laws and regulations, etc. In the notes, the section on net financial debt provides information about the effects of changes in interest rates and the main exchange rates on the statement of financial position and the income statement.

General overview

During 2016 world economic indicators reflected a moderate recovery in economic and trade growth, which has been gradually strengthening since the summer: in the emerging economies trade began to expand again compared with 2015, albeit at rates still below the average of the post-crisis period; in the USA continuing accommodating policies and improvements on the labor market supported the economy, while growth in Japan was modest due to the weakness of domestic demand and exports.

In the Eurozone, growth continued at a moderate pace, which was gradually consolidated by the improvement in internal demand supported by the ECB monetary policy measures. Extremely favorable credit conditions, better corporate profitability and higher employment, also assisted by the structural reforms of previous years, continue to boost the investment recovery. Nevertheless, economic growth in the Eurozone is still hampered by the slow implementation of structural reforms and additional budget adjustments in a number of sectors.

In the Eurozone, treasury bond yields rose in the fourth quarter, reflecting the worldwide upward trend in long-term interest rates. This was particularly pronounced in the USA, largely as a result of market expectations of a rise in inflation in connection with possible fiscal stimulus measures and trade protectionism.

Conditions on the Italian financial markets improved in the second half of 2016, in part after the easing of tension relating to the result of the UK Brexit referendum, although uncertainty over the strength of economic growth and the future evolution of monetary policy rates in the USA continues to affect the market. The reaction of the markets in the days following the publication of the results of the recent European stress test at the end of July indicated the continuing concerns over the profitability of the banking system. Having reached a low in the days after the British referendum, in the fourth quarter the prices of bank stocks rose by more than 25 percentage points as expectations spread of measures to support and strengthen the assets of the banks experiencing difficulties.

After the mild appreciation of the euro against the dollar and the yen in the summer, at the end of the year the euro depreciated against important currencies of the advanced economies, including the US dollar, the Japanese yen and the Swiss franc. The pound continued to weaken against the other main currencies, depreciating by approximately 11% against the euro since the referendum.

In this economic context, in 2016 the Italmobiliare Group recorded a **profit for the year** of 68.2 million euro (54.8 million euro in 2015), of which 57.0 million euro was attributable to owners of the parent (7.0 million euro in 2015).

Breakdown of consolidated profit by segment

(in millions of euro)	December 2016	% of total	December 2015	% of total
Industrial and services for industry segment	1.8	*3.1*	(15.2)	*(218.8)*
Financial and private equity segment	748.5	*1,313.8*	50.2	*722.0*
Other activities	(0.6)	*(1.1)*	(0.2)	*(2.8)*
Discontinued segments	(83.4)	*(146.5)*	(10.6)	*(152.2)*
Inter-segment eliminations	(609.3)	*(1,069.3)*	(17.2)	(248.2)
Profit for the year attributable to owners of the parent	**57.0**	***100.0***	**7.0**	***100.0***

The other main results relating to continuing operations for the year ended December 31, 2016 were:

- **Revenue and income:** 451.0 million euro compared with 402.0 million euro for the year ended December 31, 2015 (+12.2%);
- **Gross operating profit**: 57.8 million euro compared with a loss of 2.0 million euro for the year ended December 31, 2015 (positive change >100%);
- **Operating profit**: 37.4 million euro compared with a loss of 19.0 million euro for the year ended December 31, 2015 (positive change >100%);
- **Profit before tax**: 5.1 million euro compared with a loss of 21.9 million euro for the year ended December 31, 2015 (positive change >100%);

At December 31, 2016, **total equity** was 1,334.2 million euro, while **equity attributable to owners of the parent** was 1,325.0 million euro, compared with 4,329.5 million euro and 1,838.6 million euro respectively at December 31, 2015.

In 2016 **capital expenditure** relating to continuing operations totaled 356.0 million euro, up by 323.7 million euro from 2015 (32.3 million euro).

The overall **net financial position** at December 31, 2016 was positive at 493.5 million euro, compared with debt of 55.6 million euro relating to continuing operations at December 31, 2015 (debt of 2,081.7 million euro at December 31, 2015 including the Italcementi group companies sold during 2016).

As a result of the changes in equity and the net financial position, the **gearing** ratio (consolidated net financial position/equity) improved from a negative ratio of 48.08% at the end of December 2015, due to net financial debt, to +36.99% at the end of December 2016.

Performance in the individual segments of the Italmobiliare Group was as follows:

- the **Industrial and services for industry segment,** composed of the operations of the Sirap Gema group, which produces and markets fresh-food packaging, the Italgen group, active in production and distribution of electric power from renewable sources, and the BravoSolution group, the international leader in Supply Management solutions.
- At the **Sirap Gema group**, as a result of the sale of the equity investment in Sirap Insulation S.r.l. on July 30, 2015, the group withdrew from the thermal insulation core business; the figures for the year under review therefore refer solely to the food packaging sub-segment and are not comparable with the figures for 2015. In this context, with reference to the current food packaging business, the group reported revenue of 207.3 million euro, a slight reduction on 2015 (207.8 million euro); revenue includes the operations of the company Rosaplast Due S.r.l. acquired in July 2016, which represents an advance for the Sirap group in its growth in the "*rigid*" container business, with product, commercial, logistic and technological synergies. The group reported gross operating profit of 20.5 million euro, compared with a loss of 7.7 million euro in 2015; the prior-year figure included the impact of the fine imposed by the European Commission for breach of community competition laws on the foamed tray market, which entailed an additional risk provision of 27.1 million euro. After a 9.8% decrease in

amortization and depreciation, the group reported operating profit of 11.5 million euro (loss of 14.8 million euro for the year to ended December 31, 2015). Financial items reflected net costs of 3.2 million euro compared with net income of 0.3 million euro in 2015, which benefited from the gain realized on the sale of Sirap Insulation (4.1 million euro). After tax of 2.1 million euro, the group posted a profit for the year of 6.2 million euro, compared with a loss of 17.1 million euro for 2015.

- The **Italgen group** produces and distributes electric energy on the domestic and international market. Energy production in 2016 was 285.4 GWh, down 3.5% from 2015 due to the year's low average rainfall; the average sale price was down 18% from 2015. Group revenue amounted to 49.0 million euro, a reduction of 16.5% on 2015, and recurring operating profit, not including extraordinary items, was 9.1 million euro, compared with 11.8 million euro in 2015. Net of non-recurring items, gross operating profit was 7.0 million euro (14.2 million euro in 2015) and operating profit was 3.6 million euro (11.0 million euro in 2015). After finance costs and tax expense totaling 3.3 million euro, the year closed with profit of 0.3 million euro (6.7 million euro in 2015).
- The consolidated results of the **BravoSolution group**, the international leader in "Supply Management" solutions, reflect business growth, with revenue of 84.9 million euro, up 6.7% from 2015. Specifically, revenue from technology, whose growth is the focus of group development, increased by 11.7% and accounted for 63.8% of total revenue. Gross operating profit was down 21.4% from 2015, with an operating loss of 0.9 million euro (profit of 1.8 million euro in 2015). The reduction in profit margins was largely due to costs incurred to strengthen the group corporate structure, especially in the USA, which began in 2015 and became fully operational during 2016. The group posted a loss for the year of 1.9 million euro (-0.2 million euro for 2015).
- Overall, the Industrial and services for industry segment closed 2016 with profit of 4.5 million euro, of which 2.8 million euro attributable to owners of the parent (loss of 10.6 million euro for 2015 of which -12.9 million euro attributable to owners of the parent);
- the **Financial and private equity segment**, represented by the parent Italmobiliare, the subsidiary Franco Tosi S.r.l. and Clessidra SGR acquired in September 2016, closed 2016 with profit of 748.5 million euro (50.2 million euro in 2015). The results of the segment in the year under review were positively affected by the non-recurring transactions completed in 2016 by Italmobiliare, specifically the sale of the equity investment held in Italcementi to the German group HeidelbergCement AG and the simplification of the capital structure through distribution of a special dividend to the savings shareholders and the simultaneous mandatory conversion of savings shares into ordinary shares. These transactions generated an overall gain of 826.3 million euro. Dividends collected in 2016 were 12.6 million euro lower than in 2015, essentially due to the absence of the Italcementi dividend, which was 14.1 million euro in 2015. Net income from equity investments totaled 806.1 million euro (74.3 million euro in 2015) and includes, in addition to the items mentioned above, impairment losses on equity investments of 27.2 million euro generated by impairment losses on banking and publishing stocks. The segment's cash inflows of 4.2 million euro were offset by expense on hedging derivatives, leading to a net loss of 0.9 million euro on investments of cash and cash equivalents (net gain of 1.5 million euro in 2015). Other expense net of other income totaled 41.3 million euro (26.7 million euro in 2015) mainly as a result of non-recurring expense relating to the above transactions and prudential provisions set aside in 2016;
- The **Other activities** segment is represented by real estate companies, services companies operating largely within the Group and a bank based in the Principality of Monaco. The segment is of marginal importance within the Italmobiliare Group and therefore, its results are not normally of material significance. In 2016 it posted a loss of 643 thousand euro (-7 thousand euro in 2015).

For the parent **Italmobiliare S.p.A.**, 2016 was a year of non-recurring events: the sale of the equity investment held in Italcementi to the German group HeidelbergCement AG and the simplification of the capital structure through distribution of a special dividend exclusively to the savings shareholders and the simultaneous mandatory conversion of savings shares into ordinary shares. In this context the year closed with profit of 759.8 million euro (19.5 million euro in 2015).

Italmobiliare **Net Asset Value** (NAV) at December 31, 2016 was 1,634.9 million euro (2,086.2 million euro at December 31, 2015) against a capitalization of 1,051.0 million euro, reflecting a discount of 35.7%.

The decrease of 451.3 million euro from December 31, 2015 was largely due to the change in the Group structure, in particular the simplification of Italmobiliare share capital, with distribution of a special preferred dividend exclusively to savings shareholders in cash for 126.9 million euro and in kind with 4,759,229 HeidelbergCement AG shares, and, simultaneously, the mandatory conversion of savings shares into ordinary shares at a rate of 1 new ordinary share for every group of 10 savings shares.

NAV per Italmobiliare ordinary share was 68.6 euro at December 31, 2016.

(in millions of euro)	**December 31, 2016**	**% of total**
HeidelbergCement AG	490.1	*30.0%*
Companies portfolio	250.3	*15.3%*
Other equity investments and activities	240.7	*14.7%*
Private equity	87.9	*5.4%*
Cash and cash equivalents	565.9	*34.6%*
Total Net Asset Value	**1,634.9**	***100.0%***

NAV was computed considering:

- the market price at December 31, 2016 of investments in listed companies,
- the value of non-listed companies, where determinable, based on market multiples or specific evaluations or, when such information is not available, on equity as reflected in the most recent approved financial statements drawn up in accordance with the IFRS or with local accounting principles.
- the market value of real estate assets;

taking account of the deferred tax effect.

Key consolidated figures

(in millions of euro)	2016	2015 IFRS 5	% change
Revenue and income	**451.0**	**402.0**	***12.2***
Gross operating profit (loss) [1]	**57.8**	**(2.0)**	***n.s.***
% of revenue	*12.8*	*(0.5)*	
Amortization and depreciation	(20.0)	(19.7)	*(1.2)*
Reversals of impairment losses on non-current assets	(0.4)	2.7	*n.s.*
Operating profit (loss) [2]	**37.4**	**(19.0)**	***n.s.***
% of revenue	*8.3*	*(4.7)*	
Finance income and costs	(5.6)	(0.9)	*n.s.*
Impairment losses on financial assets	(26.2)	(0.4)	*n.s.*
Share of profit (loss) of equity-accounted investees	(0.5)	(1.6)	*68.0*
Profit (loss) before tax	**5.1**	**(21.9)**	***n.s.***
% of revenue	*1.1*	*(5.5)*	
Income tax expense	(18.5)	(4.2)	*n.s.*
Loss relating to continuing operations	**(13.4)**	**(26.1)**	**48.7**
Profit relating to discontinued operations, net of tax effects	81.6	80.9	*0.9*
Profit for the year	**68.2**	**54.8**	**24.5**
attributable to:			
- Owners of the parent	**57.0**	**7.0**	***n.s.***
- Non-controlling interests	11.2	47.8	*(76.5)*
Cash flow from operating activities relating to continuing operations	13.4	21.8	
Capital expenditure relating to continuing operations	356.0	32.3	

n.s. not significant

(in millions of euro)	December 31, 2016	December 31, 2015
Total equity	1,334.2	4,329.5
Equity attributable to owners of the parent	1,325.0	1,838.6
Overall net financial position (debt)	493.5	(2,081.7) *
Number of employees at year end	2,067	1,917

* of which continuing operations show a positive financial position of 55.6 million euro and discontinued operations a financial debt of 2,137.3 million euro

[1] Gross operating profit is the difference between revenue and costs excluding: amortization and depreciation, impairment losses on non-current assets, finance income (costs), share of profit (loss) of equity-accounted investees and income tax.
[2] Operating profit corresponds to the preceding caption with the inclusion of amortization and depreciation and impairment losses on non-current assets.

Revenue and operating performance for 2016

Contribution to consolidated revenue and income

(net of intragroup eliminations)

(in millions of euro)	2016		2015		Change	
		%		%	%	%[1]
Operating segment						
Industrial and services for industry segment	341.2	*75.7*	372.2	*92.6*	*(8.3)*	*(2.6)*
Financial and private equity segment	106.8	*23.7*	28.0	*7.0*	*n.s.*	*n.s.*
Other activities	3.0	*0.6*	1.8	*0.4*	*65.7*	*66.0*
Total	**451.0**	***100.0***	**402.0**	***100.0***	***12.2***	***17.0***

[1] on a like-for-like basis and at constant exchange rates.
n.s. not significant.

Revenue and operating performance by segment

(in millions of euro)	Revenue and income		Gross operating profit (loss)		Operating profit (loss)	
	2016	**% change vs. 2015**	**2016**	**% change vs. 2015**	**2016**	**% change vs. 2015**
Operating segment						
Industrial and services for industry segment	341.2	*(8.3)*	33.8	*n.s.*	14.3	*n.s.*
Financial and private equity segment	872.2	*n.s.*	791.3	*n.s.*	790.9	*n.s.*
Other activities	3.4	*88.6*	(0.4)	*n.s.*	(0.5)	*n.s.*
Inter-segment eliminations	(765.8)	*n.s.*	(766.9)	*n.s.*	(767.3)	*n.s.*
Total	**451.0**	***12.2***	**57.8**	*n.s.*	**37.4**	*n.s.*

n.s. not significant.

The 12.2% improvement in **revenue and income** from 2015 reflected:

- a turnover improvement of 17.0% at constant exchange rates and on a like-for-like basis,
- a negative consolidation effect, for 3.6%,
- a negative exchange-rate effect, for 1.2%.

At constant exchange rates and on a like-for-like basis, the increase arose in the financial and private equity segment (positive change >100%), due to the gain realized in connection with distribution of the dividend in kind represented by HeidelbergCement shares to the savings shareholders, in compliance with the resolution carried by the Italmobiliare extraordinary shareholders' meeting of August 4, 2016 regarding the simplification of the capital structure through the distribution of a special dividend exclusively to the savings shareholders and the simultaneous mandatory conversion of savings shares into ordinary shares. The overall contribution of the industrial and services for industry segment was negative at 2.6% due to the contraction in revenue at the Italgen group (-16.5% compared with 2015) and to a more limited extent at the Sirap Gema group (-3.1% compared with 2015) owing to the reduction in average sales prices compared with 2015. Turnover grew at the BravoSolution group, with an increase of 9.1% at constant exchange rates and on a like-for-like basis.

In absolute terms there was a larger decrease in revenue in the industrial and services for industry segment (-8.3% from 2015) largely due to the changes in the scope of operations at the Sirap Gema group with the sale of Sirap Insulation S.r.l. in the third quarter of 2015, the fall in electric energy sales prices and the decrease in vectoring services revenue at the Italgen group.

The negative exchange-rate effect arose essentially from the BravoSolution group subsidiary operating in the United Kingdom, as a result of the depreciation of the pound against the euro, and from some subsidiaries of the Sirap Gema group with production and marketing operations in Poland, Ukraine and Turkey, due to the depreciation of the respective local currencies against the euro.

Gross operating profit was 57.8 million euro, up 59.8 million euro on 2015 (loss of 2.0 million euro). Gross operating profit was up on 2015 in the financial and private equity segment, thanks to the significant increase in revenue described above, and in the industrial and services for industry segment, thanks to the positive contribution of the Sirap Gema group which improved by 28.2 million euro from 2015, when results were heavily penalized by an non-recurring provision of 27.1 million euro for the fine imposed by the European Commission for breach of community competition laws in the foamed tray market.

After amortization and depreciation in line with 2015 and impairment losses on non-current assets of 0.4 million euro (reversal of impairment losses of 2.7 million euro) at the Italgen group, **operating profit** amounted to 37.4 million euro (loss of 19.0 million euro in 2015).

Finance costs and other items

Net finance costs amounted to 5.6 million euro, an increase of 4.7 million euro on 2015, which benefited from the gain at the Sirap Gema group (4.1 million euro) on the sale of the thermal insulation business represented by the equity investment in Sirap Insulation S.r.l.. Expense and interest on net financial debt decreased by 10.8%, to 3.2 million euro (3.6 million euro in 2015). Exchange rate differences net of hedges reflected a loss of 1.7 million euro, an increase of 0.8 million euro on 2015.

The caption does not include finance income and costs of the financial and private equity segment, which are part of the segment’s core business and therefore classified under the line items constituting gross operating profit.

Impairment losses on financial assets amounted to 26.2 million euro (losses of 0.4 million euro in 2015) and referred to the financial and private equity segment, specifically banking and publishing stocks were impaired by an overall amount of 24.6 million euro to align the carrying amount with the respective fair value.

The **share of profit (loss) of equity-accounted investees** reflected a loss of 0.5 million euro (loss of 1.6 million euro in 2015). The figure largely relates to the loss on the equity investment held by the Financial and private equity segment in Società Editrice Siciliana.

Profit for the year

The Group posted **profit before tax** of 5.1 million euro (loss of 21.9 million euro in 2015).

After income tax expense of 18.5 million euro (4.2 million euro in 2015), there was a **loss for the year relating to continuing operations** of 13.4 million euro (loss of 26.1 million euro in 2015).

Discontinued operations showed a profit of 81.6 million euro net of tax effects, arising from the net gain of 94.7 million euro realized on the sale of Italcementi S.p.A. and the loss of 13.1 million euro reported by the discontinnued group in the first six months of 2016.

Overall, the Group posted a **profit for the year** of 68.2 million euro, of which 57.0 million euro attributable to owners of the parent (non-controlling interests of 11.2 million euro), compared with a profit of 54.8 million euro in 2015, of which 7.0 million euro attributable to owners of the parent (non-controlling interests of 47.8 million euro).

Total comprehensive income

In 2016, other comprehensive income relating to continuing operations amounted to 67.0 million euro (income of 9.0 million euro in 2015) arising from the following positive items:

- fair value gains on available-for-sale assets and on derivatives for a total of 96.6 million euro,
- measurement gain of 0.2 million euro on the net liability (asset) for employee benefits,

and the negative effect of translation losses of 4.9 million euro, while the related tax effect was negative at 24.9 million euro.

Discontinued operations had other comprehensive income of 47.6 million euro (income of +90.0 million euro in 2015).

Considering the profit for the year of 68.2 million euro and the aforementioned items, total comprehensive income in 2016 was 182.8 million euro (income of 171.6 million euro attributable to owners of the parent and income of 11.2 million euro attributable to non-controlling interests). This compared with total comprehensive income of 153.8 million euro in 2015 (income of 50.8 million euro attributable to owners of the parent and income of 103.0 million euro attributable to non-controlling interests).

The statement of comprehensive income is included with the consolidated financial statements.

Reclassified statement of financial position

(in millions of euro)	December 31, 2016	December 31, 2015
Property, plant and equipment + investment property	138.9	137.7
Intangible assets	52.1	44.4
Other non-current assets	806.1	282.5
Non-current assets	**997.1**	**464.6**
Current assets	**762.7**	**461.8**
Discontinued operations	-	8,598.0
Total assets	**1,759.8**	**9,524.4**
Equity attributable to owners of the parent	1,325.0	1,838.6
Non-controlling interests	9.2	2,490.9
Total equity	**1,334.2**	**4,329.5**
Non-current liabilities	228.1	110.9
Current liabilities	197.5	352.0
Total liabilities	**425.6**	**462.9**
Liabilities directly relating to discontinued operations	-	4,732.0
Total equity and liabilities	**1,759.8**	**9,524.4**

Equity

Total equity at December 31, 2016 was 1,334.2 million euro, a reduction of 2,995.3 million euro from December 31, 2015. The overall change arose from:

- the profit for the year of 68.2 million euro,
- gains of 71.6 million euro in the fair value reserve on equity investments and derivatives,
- the positive change of 0.2 million euro arising from the adjustment of assets and liabilities relating to employee benefits,
- dividends paid for 592.9 million euro,
- exchange rate losses of 4.8 million euro,
- a negative change of 2,537.6 million euro in the scope of consolidation.

Net financial position (debt)

At December 31, 2016, the net financial position was positive at 493.5 million euro, a strong improvement from 55.6 million euro relating to continuing operations at December 31, 2015 (at December 31, 2015 the net financial position including the discontinued companies in the Italcementi group reflected debt of 2,081.7 million euro).

The balance on the year's cash flows was positive at 437.8 million euro, largely thanks to divestments of non-current assets for 938.5 million euro, inflows from operating activities for 13.4 million euro, translation differences and structure differences for 23.7 million euro, net of capital expenditure of 356.0 million euro, treasury share purchases for 14.8 million euro and dividends paid for 144.8 million euro.

Breakdown of net financial position (debt)

(in millions of euro)	December 31, 2016	December 31, 2015
Current financial assets	597.9	299.4
Current financial liabilities	(73.7)	(228.4)
Non-current financial assets	47.2	27.8
Non-current financial liabilities	(77.9)	(43.2)
Net financial position relating to continuing operations	**493.5**	**55.6**
Net financial position relating to discontinued operations	-	(2,137.3)
Overall net financial position (debt)	**493.5**	**(2,081.7)**

Financial ratios

(amounts in millions of euro)	December 31, 2016	December 31, 2015
Overall net financial position (debt)	493.5	(2,081.7)
Consolidated equity	1,334.2	4,329.5
Gearing	**36.99%**	**-48.08%**
Net financial position relating to continuing operations	493.5	55.6
Gross operating profit (loss)	57.8	(2.0)
Leverage	**8.54**	**(28.01)**

Condensed statement of cash flows

(in millions of euro)	December 31, 2016		December 31, 2015	
Overall net financial position at beginning of year		**(2,081.7)**		**(2,114.8)**
Cash flow from operating activities		13.4		21.8
Capital expenditure:				
PPE, investment property and intangible assets	*(43.8)*		*(22.6)*	
Non-current financial assets	*(312.2)*		*(9.7)*	
Capital expenditure		**(356.0)**		**(32.3)**
Gains from sale of non-current assets		938.5		114.7
Purchase of treasury shares		(14.8)		-
Dividends paid		(144.8)		(11.7)
Translation differences		23.7		10.6
Other		(22.2)		(3.2)
Net cash flows for the year		**437.8**		**99.9**
Cash flows relating to discontinued operations		2,137.4		(66.8)
Overall net financial position at end of year		**493.5**		**(2,081.7)**

Capital expenditure

(in millions of euro)	Non-current financial assets		PPE + invest-ment property		Intangible assets	
	2016	2015	2016	2015	2016	2015
Operating segment						
Industrial and services for industry segment	6.9	0.4	15.9	16.8	11.0	6.6
Financial and private equity segment	305.3	9.2	15.7	-	-	-
Other activities	-	-	0.1	0.2	-	0.2
Total	**312.2**	**9.6**	**31.7**	**17.0**	**11.0**	**6.8**
Change in payables		0.1	1.1	(1.2)		
Total capital expenditure	**312.2**	**9.7**	**32.8**	**15.8**	**11.0**	**6.8**

Group capital expenditure in 2016 amounted to 356.0 million euro, a strong increase from 2015 (32.3 million euro).

Capital expenditure in non-current financial assets amounted to 312.2 million euro (9.7 million euro in 2015), and related to investments made by the financial and private equity segment for 305.3 million euro and by the industrial and services for industry segment for 6.9 million euro. Attention is drawn to the investments in BravoSolution S.p.A. and in Italgen S.p.A. under the agreement with HeidelbergCement AG, for 186.0 million euro, in Clessidra SGR and in the Clessidra Capital Partner 3 fund for a total of 69.6 million euro, in BDT Capital Partners for 22.4 million euro. Financial investments made by the industrial and services for industry segment included the acquisition of Rosa Plast Due S.r.l. for 4.2 million euro.

Capital expenditure in property, plant and equipment and investment property amounted to 32.8 million euro and referred mainly to the investments by the Sirap Gema group for 10.3 million euro, the Italgen group for 5.9 million euro and Italmobiliare S.p.A. for 15.6 million euro, relating to the acquisition of some properties in Rome from Italcementi S.p.A..

Capital expenditure in intangible assets included investments by the BravoSolution group for 8.0 million euro, relating to software development for the technological platform, and by the Italgen group for 0.5 million euro relating to the Egyptian subsidiary to retain the temporary license relating to the wind farm under development.

Reconciliation between the parent's profit for the year and equity, and the profit for the year and equity attributable to owners of the parent

(in millions of euro)		December 31, 2016
Profit for the year of the parent Italmobiliare S.p.A.		**759.8**
Consolidation adjustments		
• Loss for the year at consolidated companies (Share attributable to owners of the parent)		(26.8)
• Adjustment to the carrying amount of equity-accounted investees		(0.5)
• Reversal of impairment losses on consolidated equity investments		1.0
• Elimination of intragroup gains or losses and other changes		(676.5)
Profit for the year attributable to owners of the parent		**57.0**
Equity of the parent Italmobiliare S.p.A.		**1,218.4**
• Elimination of carrying amount of consolidated equity investments		(284.4)
in fully consolidated companies	*(275.6)*	
in equity-accounted investees	*(8.8)*	
• Recognition of equity of consolidated equity investments		397.7
in fully consolidated companies	*388.9*	
in equity-accounted investees	*8.8*	
• Gains allocated to equity of subsidiaries and associates		
• Elimination of intragroup transactions and other changes		(6.7)
Consolidated equity attributable to owners of the parent		**1,325.0**

Risks and uncertainty

Risks and uncertainty are examined in the sections on the individual segments, since they are different and specific to each Group segment. Consequently, it is not possible to provide an overview.

Information on personnel and the environment

Information on personnel and on the environment is provided in the sections on the individual segments, since each segment presents its own specific characteristics.

Industrial and services for industry segment

The industrial and services for industry segment consists of the operations of the Sirap Gema group, which produces and markets fresh-food packaging products through subsidiaries in Italy and abroad, the Italgen group, which produces and distributes electric energy from renewable sources on the domestic and international market, and the BravoSolution group, the international leader in Supply Management solutions.

The figures set out below for the year ended December 31, 2015 have been restated on the basis of the structure of the new segment, to make them comparable with those for 2016, while the figures in the comments on the individual groups reflect those published in the 2015 segment disclosure.

(in millions of euro)	2016	2015	% change
Revenue and income	**341.2**	**372.2**	***(8.3)***
Gross operating profit	**33.8**	**14.6**	***n.s.***
% of revenue	*9.9*	*3.9*	
Amortization and depreciation	(19.5)	(19.4)	*(0.6)*
Impairment (losses) reversals on non-current assets	-	2.7	*n.s.*
Operating profit (loss)	**14.3**	**(2.1)**	***n.s.***
% of revenue	*4.2*	*(0.6)*	
Finance income and costs	(6.0)	(1.5)	*n.s.*
Impairment losses on financial assets	-	-	-
Share of profit (loss) of equity-accounted investees	-	(0.4)	*n.s.*
Profit (loss) before tax	**8.3**	**(4.0)**	***n.s.***
% of revenue	*2.4*	*(1.1)*	
Income tax expense	(3.8)	(6.6)	*42.1*
Profit (loss) for the year	**4.5**	**(10.6)**	***n.s.***
attributable to:			
- Owners of the parent	**2.8**	**(12.9)**	***n.s.***
- Non-controlling interests	1.7	2.3	*(26.5)*
Capital expenditure	36.6	22.6	

n.s. not significant

	December 31, 2016	December 31, 2015
Total equity	77.1	83.2
Equity attributable to owners of the parent	73.6	80.0
Net financial debt	(95.3)	(91.0)
Number of employees at period end	1,963	1,877

Revenue in the industrial and services for industry segment was down 8.3% essentially due to the change of the scope of operations of the Sirap Gema group with the sale of Sirap Insulation S.r.l. in the third quarter of 2015, and to the revenue reduction at the Italgen group largely as an effect of the 18% fall in the average energy sales price compared with 2015.

A positive contribution came from the Supply Management operations of the BravoSolution group, which reported revenue growth of 6.7% from 2015; in particular technology revenue, whose growth is the focus of group development, rose by 11.7% from 2015 and accounted for 63.8% of the group's revenue.

There was a strong improvement in gross operating profit for the year compared with 2015, whose results were significantly affected by an non-recurring provision of 27.1 million euro for the fine imposed on the Sirap group by the European Commission for breach of community competition laws on the foamed tray market. In this context, gross operating profit in food packaging was up 28.2 million euro from 2015.

A reduction was reported in the operating margin of the Italgen group (-50.9% from 2015), due to lower revenue and to increased purchases of vectoring services as well as non-recurring expense incurred in the year, and in the operating margin of the BravoSolution group (-21.4% from 2015) essentially as a result of an increase in the costs of the plan for the strengthening of the corporate structure, especially in the USA, which began in 2015 and became fully operational in 2016.

Specifically: gross operating profit increased by 19.2 million euro, from 14.6 million euro in 2015 to 33.8 million euro in 2016, while an operating profit of 14.3 million euro was reported for 2016 compared with an operating loss of 2.1 million euro in 2015.

Finance costs for the year under review amounted to 6.0 million euro (costs of 1.5 million euro in 2015). The increase of 4.5 million euro referred to the Sirap Gema group and the Italgen group, while the BravoSolution group reported a decrease of 62.1% in finance costs from 2015.

After income tax expense of 3.8 million euro (6.6 million euro in 2015), 2016 closed with profit of 4.5 million euro of which 2.8 million euro attributable to owners of the parent, compared with a loss of 10.6 million euro in 2015, of which -12.9 million euro attributable to owners of the parent.

The business and financial performance of each group in the industrial and services for industry segment is described below.

Sirap Gema group

The Sirap Gema group, through its subsidiaries in Italy and abroad, is active in the production and sale of products for the packaging of fresh food.

The main change in the corporate structure at December 31, 2016 compared with December 31, 2015 was the acquisition, on July 11, 2016, by the parent Sirap Gema S.p.A., of the entire share capital of Rosa Plast Due S.r.l. The company produces heat-formed rigid plastic food containers, mainly for meat, cold cuts and ice cream; it had 30 employees at December 31, 2016 at its manufacturing facility in Bovezzo (Brescia) and reported turnover of 8.9 million euro in 2016. The acquisition is a step forward in the growth of the group's "rigid" container segment, thanks to product, commercial, logistic and technological synergies with the parent's Castelbelforte factory (Mantua) and with Inline Poland.

When comparing the consolidated figures for 2016 and 2015, the differences in the scope of consolidation should be taken into consideration:

- the 2015 income statement included the results for the period between January 1 and June 30 of Sirap Insulation S.r.l., which was sold to the Holding Soprema S.A. group during the third quarter of 2015;
- the 2016 income statement includes the figures for the recently acquired company Rosa Plast Due S.r.l..

Moreover, the figures for 2015 were significantly affected by the decision of the European Commission published on June 24, 2015, which found that some companies in the Sirap group had breached competition laws on the foamed tray market from 2002 to 2008. The imposition on the companies in question, Sirap Gema S.p.A., Sirap France S.a.s., and some subsidiaries of the Petruzalek group, of a fine totaling 35.9 million euro, led the parent to set aside an additional risk provision of 27.1 million euro in 2015, pending the final ruling.

Business and financial performance

(in millions of euro)	2016	2015	% change
Revenue and income	**207.3**	**233.8**	***(11.3)***
Gross operating profit (loss)	**20.5**	**(7.7)**	***n.s.***
% of revenue	*9.9*	*(3.3)*	
Amortization and depreciation	(9.0)	(9.9)	*9.8*
Reversals of impairment losses on non-current assets	-	2.8	
Operating profit (loss)	**11.5**	**(14.8)**	***n.s.***
% of revenue	*5.6*	*(6.4)*	
Net finance income (costs)	(3.2)	0.3	
Profit (loss) before tax	**8.3**	**(14.5)**	***n.s.***
% of revenue	*4.0*	*(6.2)*	
Income tax expense	(2.1)	(2.6)	*18.1*
Profit (loss) for the year	**6.2**	**(17.1)**	***n.s.***
attributable to:			
- Owners of the parent	**6.1**	**(17.1)**	***n.s.***
- Non-controlling interests	0.1	n.s.	*n.s.*
Capital expenditure	10.6	10.7	

n.s. not significant.

(in millions of euro)	December 31, 2016	December 31, 2015
Total equity	15.3	10.0
Equity attributable to owners of the parent	15.0	9.6
Net financial position	65.1	58.7
Number of employees at year end	1,209	1,149

The market situation continued to be difficult in 2016 with regard to demand in key countries, leading to a reduction of approximately 4.4% in turnover compared with 2015 on a like-for-like basis, with prices falling and some exchange-rate effects (approximately 1.3% on 2015 revenue).

The polystyrene materials used in production reflected an average reduction over the year compared with the 2015 average; specifically, the polystyrene average purchase price in 2016 was 8% lower than the average price in the previous year. Nevertheless, an upward price trend began to emerge in the fourth quarter.

The European Commission proceeding did not have an impact on the year’s result, without prejudice to the finance costs arising from the bank guarantees given to the Commission and the re-measurement of the provision set aside at December 31, 2015, which amounted overall to approximately 0.5 million euro.

Group revenue in 2016 amounted to 207.3 million euro; compared with the revenue of the food packaging segment in 2015 (207.8 million euro, net of 26 million for thermal insulation sector, sold during the year), the difference was 0.5 million euro, with a negative exchange-rate effect on turnover estimated at approximately 2.7 million euro. The recently acquired company Rosa Plast Due S.r.l. contributed turnover of 8.9 million euro.

Group gross operating profit for 2016 was 20.5 million euro; this compared with a loss of 7.7 million euro in 2015, including the above-mentioned risk provision of 27.1 million euro, other non-recurring expense of 1.5 million euro and 1.7 million euro at Sirap Insulation S.r.l.. Net of these three events, profitability showed an improvement of 1.3 million euro in 2016 from 2015, of which 0.9 million euro at Rosa Plast Due S.r.l.

Amortization and depreciation of 9.0 million euro were down 0.9 million euro from 9.9 million euro in 2015, reflecting the normal depreciation trend for technical assets.

The group reported an operating profit for the year of 11.5 million euro; the corresponding figure in 2015 was a loss of 14.8 million euro, again including the effect of the above-mentioned risk provision.

Net finance costs amounted to 3.2 million euro, compared with net finance income of 0.3 million euro in 2015, which included the gain of 4.1 million euro realized on the sale of the equity investment in Sirap Insulation S.r.l.. Net of this item, there was an improvement of 0.6 million euro, due to the reduction in average net debt, as well as a moderately favorable trend in interest rates compared with 2015.

Income tax expense (2.1 million euro) was lower than in 2015 (2.6 million euro), despite the significant improvement in consolidated profit before tax (from a loss of 14.5 million euro to profit of 8,3 million euro); this was largely due to the non-deductibility in 2015 of the 27.1 million euro risk provision.

The group posted a consolidated profit of 6.2 million euro for the year ended December 31, 2016, against a loss of 17.1 million euro for the previous year.

Consolidated net financial debt at December 31, 2016 was 65.1 million euro, an increase of 6.4 million euro from 58.7 million euro at December 31, 2015, which includes 6.2 million euro for the acquisition of Rosa Plast Due S.r.l.. The net financial position includes, among assets, 15.0 million euro deposited as partial coverage of the fine imposed by the European Commission; this payment also helps contain the finance costs relating to the bank guarantee and to the deferred contingent liability due to the Commission.

Group capital expenditure in 2016 sought to balance the need to recover efficiency in manufacturing processes with the need for financial coverage. Asset acquisitions totaled 10.6 million euro, in line with 10.7 million euro in 2015. Of the total 10.6 million euro, 10.3 million euro were investments in property, plant and equipment and investment property and 0.3 million euro investments in intangible assets, the latter referring largely to developments on the SAP project at Rosa Plast Due S.r.l. and some companies in the Petruzalek group.

Consolidated equity at December 31, 2016 was 15.3 million euro, an improvement from 10.0 million euro at December 31, 2015. The net improvement of 5.3 million euro arose from the profit for the year of 6.2 million euro and the overall reduction of 0.9 million euro in the translation and consolidation reserves.

In compliance with IAS 36, the group's investments were tested for impairment. The test confirmed the recoverability of the carrying amounts.

Revenue and operating performance by geographical segment

(in millions of euro)	Revenue and income		Gross operating profit		Operating profit	
	2016	%change vs. 2015	2016	%change vs. 2015	2016	%change vs. 2015
Food packaging						
- Italy	94.7	*3.1*	9.3	*n.s.*	3.9	*n.s.*
- France	48.4	*(2.6)*	5.1	*47.4*	3.1	*(31.2)*
- Other EU countries	68.5	*(1.0)*	5.4	*14.5*	3.7	*24.3*
- Other non-EU countries	11.3	*(20.0)*	0.7	*(45.1)*	0.7	*(45.8)*
Eliminations	(15.6)		-		0.1	
Total	**207.3**	***(11.3)***	**20.5**	***n.s.***	**11.5**	***n.s.***

n.s. not significant

Food packaging

In Italy and France, demand for food packaging products in 2016 was significantly weak.

In Poland, consumption was in line with previous years.

In Eastern Europe, where the Sirap group operates through the Petruzalek subsidiaries, demand did not show particular signs of recovery, and in some countries with high political and social instability such as Ukraine and Turkey, significant reductions were reported in turnover.

In this context, thanks above all to the integration of Sirap Remoulins S.a.s. in 2015 and Rosa Plast Due S.r.l. in 2016, the group focused on the consolidation and expansion of its market shares, reporting total net turnover of 207.3 million euro, in line with the 207.8 million euro reported by the food packaging segment in 2015.

Performance on the main markets is analyzed below.

- On the Italian market, turnover totaled 94.7 million euro, up from 91.9 million euro in 2015, thanks above all to the inclusion in the scope of consolidation of Rosa Plast Due S.r.l.. The parent Sirap Gema S.p.A. closed the year with overall turnover of 83.8 million euro, from 89.6 million euro in 2015; the reduction of 5.8 million euro is attributable in part to the reduction in sales volumes of OPS and PET “sheets”, in part to a turnover selection aimed at optimizing percentage margins and managing credit risk. Gross operating profit overall was 8.0 million euro, down by 0.8 million euro from 2015 (8.8 million euro), with the incidence on turnover remaining substantially steady (9.6% from 9.8%). The new subsidiary Rosa Plast Due S.r.l. reported turnover of 8.9 million euro, gross operating profit of 0.9 million euro and operating profit of 0.2 million euro.
- On the French market, the significant turnover increase reported in 2015 was substantially consolidated in 2016, thanks to the acquisition of the former Vitembal operations under Sirap Remoulins S.a.s., although, due to stagnating demand, there was a reduction of 2.6% (from 49.7 million euro to 48.4 million euro). Gross operating profit, which was 3.5 million euro in 2015 including the costs for the integration of Sirap Remoulins S.a.s., was 5.1 million euro, assisted by some non-recurring income. Operating profit was 3.1 million euro, from 4.6 million euro in 2015, with the prior-year figure including 2.8 million euro for reversal of impairment losses on the assets in Sirap Remoulins S.a.s..
- In Poland, thanks to its strong positioning on the local market, Inline Poland reported overall turnover of 30.6 million euro, compared with 31.5 million euro in 2015; the 2016 figures reflects an unfavorable exchange-rate effect estimated at 1.3 million euro; gross operating profit and operating profit, at 3.4 and 2.2 million euro respectively, were in line with 2015.
- Turnover at the Petruzalek group, from operations in Central Eastern Europe with generally weak demand and significant tensions in some countries, such as Ukraine and Turkey, was 50.2 million euro, down 2.4 million euro

from 52.6 million euro in 2015. Turnover was influenced in part by an unfavorable exchange-rate effect of -1.4 million euro, of which approximately -0.9 million euro in Ukraine and -0.5 million euro in Turkey. Gross operating profit and operating profit for the year, at 2.7 million euro and 2.2 million euro respectively, were in line with 2015.

Risks and uncertainties

As is clear from the above comments, uncertainty remains high with regard to the price trend for polystyrene raw materials used in production processes, which fluctuates significantly. The group will continue to monitor the price trend in order to optimize its procurement policy and to reduce, as far as possible, the impact of these items on its performance.

The Sirap Gema group operates through a number of subsidiaries in countries outside the Eurozone and is therefore exposed to the risk of fluctuation in the exchange rates of local currencies. This risk is carefully monitored by the parent with a special internal procedure; in particular, where deemed appropriate, derivatives (interest-rate swaps) are used to hedge interest-rate and exchange rate risk.

Another area of uncertainty is the collection of receivables, which is kept under careful and constant control by all group companies to minimize risk.

Environmental initiatives

Since January 1, 2012, the Sirap Gema group has had an Environmental Policy document providing visibility on its commitment and the action taken to safeguard the environment in the countries where it operates. Guidelines have been established and made known to personnel summarizing the group’s intention of complying with local regulations and applying the best ecological standards for sustainable and responsible development. Action is underway to extend the group standards to the newly acquired company Rosa Plast Due S.r.l.

Safety initiatives

In its factories, the Sirap group adopts the necessary measures to ensure maximum safety for its workers and property. Development continued of the group safety culture project introduced in 2009, with the involvement of all senior managers: this involves extensive reporting on accidents and accident statistics, and also on potential risk situations and promotion of measures to mitigate accident risk. Action is underway to extend the group standards to the newly acquired company Rosa Plast Due S.r.l.

Research and development

Projects to support the improvement of manufacturing performance in the plants of the Sirap group continued for the two main technologies of extrusion and thermoforming.

Human resources and organization

At December 31, 2016 the group had 1,209 employees, up by 60 compared with December 31, 2015. The figure included 30 employees at the newly acquired company Rosa Plast Due S.r.l..

Disputes and pending proceedings

With regard to the current proceeding with the European Commission (which began in 2008, for breaches of community competition laws on the plastic food packaging market), no developments have taken place with respect to the information provided in the food packaging section of the previous directors' reports.

Outlook

The group's key markets continue not to report significant growth and the price trend for raw materials is being constantly monitored. The recent acquisitions in France (2015) and Italy are part of the program to consolidate and expand the Sirap Gema group on its core markets. In this context, the group's operating margins have been consolidated, attention to costs continues and positive margins are expected to be maintained.

Italgen group

(in millions of euro)	2016	2015	% change
Revenue and income	**49.0**	**58.7**	***(16.5)***
Gross operating profit	**7.0**	**14.2**	***(50.9)***
% of revenue	*14.2*	*24.2*	
Amortization and depreciation	(3.4)	(3.2)	*(5.2)*
Operating profit	**3.6**	**11.0**	***(67.2)***
% of revenue	*7.3*	*18.6*	
Net finance costs	(2.0)	(0.2)	*n.s.*
Share of profit (loss) of equity-accounted investees	-	(0.4)	*n.s.*
Profit before tax	**1.6**	**10.4**	***(84.8)***
% of revenue	*3.2*	*17.6*	
Income tax expense	(1.3)	(3.7)	*64.6*
Profit for the year	**0.3**	**6.7**	***(95.6)***
Capital expenditure	6.4	6.1	

n.s. not significant.

	December 31, 2016	December 31, 2015
Total equity	31.1	34.0
Net financial debt	(17.0)	(26.7)
Number of employees at year end	96	95

Italgen is a producer and distributor of electric energy from renewable sources on the domestic and international markets. In Italy it has a production organization consisting of 15 hydroelectric plants in Lombardy, Piedmont and Veneto, and more than 300 km of transmission lines.

As part of its international growth, the group has set up wind farms in Bulgaria, Turkey and Morocco, while another wind farm, the largest project of its type in Egypt, is currently under construction. In Morocco Italgen has also built a thermo-solar farm implementing Concentrated Solar Power (CSP) technology.

The reduction in 2016 of the Single National Price for electricity (-18.2% from 2015) arising from the weakness of domestic demand and the similar trend in prices on the main international markets was reflected in Italgen group revenue, which fell 16.5% from 2015, from 58.7 million euro to 49.0 million euro in 2016. Group revenue, reported mainly by Italgen S.p.A. on the Italian market, reflected a mild upturn in electric power consumption only in the last two months of 2016, +0.9% and +0.4% from the corresponding prior year periods, while the result for the full year was negative, with a decrease of 2.1% from 2015.

Gross operating profit of 7.0 million euro was down 7.2 million euro from 2015, due not only to the fall in sales prices and lower revenue from vectoring services, but also to other factors, including:

- the rise in variable costs reflecting increased purchases of vectoring services,
- non-recurring re-organization costs and provisions,
- a reduction of 1.9 million euro in income from green certificates compared with 2015.

The 1.9 million euro gain generated from the asset sale.

After amortization and depreciation of 3.4 million euro, operating profit was 3.6 million euro (11.0 million euro in 2015).

The group had net finance costs of 2.0 million euro (0.2 million euro in 2015), largely reflecting translation losses and the impairment loss on the equity investment in Gardawind.

The profit for the year of 0.3 million euro (6.7 million euro in 2015) was net of tax expense of 1.3 million euro.

Capital expenditure for the year totaled 6.4 million euro, of which 5.9 million euro for the purchase and maintenance of industrial buildings and plant in Italy and 0.5 million euro for investments in the Egyptian subsidiary.

Italgen group net financial debt was 17.0 million euro, an improvement of 9.7 million euro from the end of 2015, in part thanks to recovery of a tax credit of 2.4 million euro.

During 2016, the Italgen group continued work on the projects launched in previous years and coordinated management of plants in operation. A brief description of initiatives in the various countries is provided below.

Italy

Hydroelectric power production in the year from the 15 largely run-of-the-river plants (57 MW) was approximately 285.4 GWh (-3.5% on 2015, which was 295.6 GWh). The average availability rate and plant use rate were approximately 98% and 81% respectively. In June operations began at the new plant in Vetra, which for the next 20 years will benefit from an incentivized tariff of 219 €/MWh.

Major Channels: three power plants will continue to operate on a "temporary" basis until the concessions are put out for tender.

The 6 MW photovoltaic plant in Guiglia (Modena) owned by the associate i.Fotoguiglia S.r.l. (Italgen share 30%), reported total production for the year of 8.3 GWh, with an availability rate of around 99%.

Morocco

In 2016, the supplier Airlight Energy Manufacturing (AEM) SA continued plant fine tuning work at the Ait Baha site, in order to ensure efficient operation of the plant. Following the sale of Italcementi to HeidelbergCement and the exit of Italgen from the first Group, ceased the cooperation activities for the Laayoune wind farm.

Bulgaria

The Kavarna wind farm (18 MW) owned by the associate Gardawind S.r.l. (Italgen share 49%), reported production of 43.7 GWh in line with projections, with an availability rate for the year of more than 97%.

Egypt

At the beginning of the 2016 year, the Economic Committee headed by the Egyptian Prime Minister authorized the change of the Italgen project from the IPP merchant model (Independent Power Producer) to the BOO model (Build, Own and Operate) with energy to be sold directly to the Egyptian State.

On this basis, in July a new interim license was obtained for the construction of the entire wind farm (320 MW). The temporary license expires in June 2017 and requires a number of steps to be finalized in order to become a permanent license.

To date, Italgen is the only direct foreign investor with a license, albeit temporary, in the wind energy sector and to have begun site work with the initial civil works.

Sustainable development and environmental policies

The sustainable development and environmental policy initiatives of the Italgen group confirm its commitment to protect the environment through harmonious integration of its facilities with the territory and development of innovative technologies to save natural resources and use renewable energy sources.

The parent Italgen, which produces and distributes hydroelectric power, has implemented an integrated quality, environmental and safety management system with ISO 9000 and 14000 certification since 2008 and EMAS registration since 2011. Also, since 2009 it has published an annual environmental report presenting the results of its hydroelectric plants after the introduction of management systems geared to continuous improvement of its environmental performance.

Research and development

Development work continued on the projects of the international subsidiaries during 2016.

Human resources and safety initiatives

In 2016 a major functional re-organization of personnel took place at the Bergamo head office, after the split from Italcementi S.p.A.. At December 31, 2016 the Italgen group had 96 employees, in line with 2015 (95).

In 2016 work continued for the continuous improvement of prevention and worker protection, consisting mainly of updating of risk assessment and safety procedures, personnel training, health surveillance and regulatory updating.

Risks and uncertainties

The group operates on regulated markets or under regulated regimes, and changes in the rules governing such markets and regimes, and the related prescriptions and obligations, can impact its business performance and results. Among key issues subject to regulatory changes are the laws governing the duration and conditions of major channel hydroelectric concessions, power plants with an annual average nominal power of more than 3,000 kW, which provide that, in general, concessions due to expire be put out for tender. The power plants owned by the group whose concessions have expired and are therefore subject to the regulatory change are Vaprio, Mazzunno and Mezzoldo for total installed power of 33 MW on a total of 56 MW, for which temporary exercise until December 31, 2017 has been granted.

With regard to exchange-rate risk, the Italgen group operates in some emerging countries (Egypt and Morocco) through subsidiaries, some of which have financial assets and liabilities denominated in currencies other than the local currency. Adverse political or economic developments in those regions could have a negative impact on the company's prospects and operations, and on its results of operations and financial position.

In terms of sources of financing, Italgen S.p.A. has medium-term floating-rate loans indexed to 3- and 6-month Euribor with financial counterparties, therefore the Company is exposed to the possible increase in interest rates

Italgen S.p.A. is exposed to a limited credit risk since customers are vetted for creditworthiness, both as a preliminary measure and during the life of the credit. The other group subsidiaries are not exposed to credit risks.

With regard to the contingent liability risk, at December 31, 2016 Italgen had tax disputes for amounts totaling approximately 2 million euro.

Outlook

2016 was a particularly dry year marked by non-recurring and re-organization costs; the company expects margins to improve in 2017, assuming the year to be in line with the ten-year historic average in terms of rainfall and considering all the plants in service during the year and the attainment of green certificates in connection with the production of the recently revamped plant.

BravoSolution group

(in millions of euro)	2016	2015	% change
Revenue and income	**84.9**	**79.6**	***6.7***
Gross operating profit	**6.3**	**8.0**	***(21.4)***
% of revenue	*7.4*	*10.1*	
Amortization and depreciation	(7.2)	(6.2)	*(14.9)*
Operating profit (loss)	**(0.9)**	**1.8**	***n.s.***
% of revenue	*(1.0)*	*2.2*	
Net finance costs	(0.6)	(1.7)	*62.1*
Profit (loss) before tax	**(1.5)**	**0.1**	***n.s.***
% of revenue	*(1.8)*	*0.3*	
Income tax expense	(0.4)	(0.3)	*12.2*
Loss for the year	**(1.9)**	**(0.2)**	***n.s.***
Capital expenditure	9.1	6.7	

n.s. not significant.

	December 31, 2016	December 31, 2015
Total equity	30.7	34.1
Net financial debt	(13.2)	(5.6)
Number of employees at year end	658	633

The BravoSolution group is active in web-based supply management solutions, with particular reference to e-sourcing, e-procurement, spend analysis and procure to pay systems.

During the year, the BravoSolution group confirmed its excellent commercial positioning in the field of customized software platforms and high value-added professional services.

At the end of 2016, it had a total of 495 licenses, while the number of procurement professionals using BravoSolution platforms for the purchase of goods and services and spend analysis numbered more than 150,000; approximately 1,200,000 supplier companies were involved in the negotiations conducted using BravoSolution software. The group has a base of approximately 650 customers, in 40 countries worldwide.

The consolidated results for 2016 reflect moderate business growth for the BravoSolution group (+6.7%), although national and international economic growth continues to be affected by the consequences of the financial and industrial stagnation that began in 2008 on an unprecedented scale in the second postwar period, which in recent years has caused downturns in sales and business results also among companies active in the same sector as the BravoSolution group.

Significant progress was reported in turnover by the subsidiaries in Spain, Finland, Benelux, Australia and Germany, while delays in the start-up of important contracts with clients in North America and the United Arab Emirates prevented higher revenue growth in those countries. Revenue at BravoSolution UK was penalized by the depreciation of the pound against the euro after the Brexit referendum.

Technology revenue, whose growth is the focus of group development, rose more strongly than expected, rising 11.7% from 2015, and now accounts for 63.8% of total revenue (60.9% in 2015).

Turning to business results, gross operating profit decreased to 6.3 million euro (8.0 million euro in 2015) and the group reported an operating loss of 0.9 million euro (operating profit of 1.8 million euro in 2015).

The reduction in margins in both absolute and percentage terms compared with 2015 was due to a combination of factors: the previously mentioned delay in achieving some revenue, one-off due diligence costs, and the expected increase in costs under the plan to strengthen the group corporate structure, which began in 2015 and was completed in 2016. The plan envisaged the creation of previously little monitored central functions, relating to marketing, human resources, global strategy and sales, accompanied by further consolidation of corporate activities relating to finance and software development. With regard to software development, special attention and resources were devoted to improving the product and extending the offer.

The group's modified organizational structure – which included the creation of new group headquarters in Chicago (USA) in 2015 – and the stronger business focus on technology sales are intended, over the long term, to drive a significant increase in turnover and greater, more stable profitability, although in the short term, given the increase in costs, the group is experiencing a temporary, if expected downturn in its results.

After finance costs of 0.6 million euro, an improvement of 62.1% from 2015, and tax expense of 0.4 million euro (in line with 2015), the group posted a loss for 2016 of 1.9 million euro (loss of 0.2 million euro in 2015).

Net financial debt was up 7.6 million euro from December 31, 2015, reflecting in part the decline in results of operations, but above all the investments for the year, both internally with the roll-out of a new administrative-management system, increased software development work on the proprietary technological platform and the re-organization of the US company, and also externally with the acquisition of the US company Technical Services Associates and the due diligence activities.

Capital expenditure at the BravoSolution group in 2016 amounted to 9.1 million euro (6.7 million euro in 2015), of which 8.0 million euro in intangible assets (6.1 million euro in 2015), which consisted mainly of software developments on the technological platform, conducted in part with external resources and in part in house, as specified below. In 2016 intangible assets also included the project for the roll-out of the new corporate global ERP system.

A brief comment follows on performance in the main countries in which the BravoSolution group operates.

Italy

Operations on the Italian market are conducted largely by BravoSolution Italia S.p.A.. In 2016 the company reported revenue of 23.8 million euro (+6% from 2015), and a profit for the year. This confirms the undisputed leadership of the Italian company on the domestic market, despite the slowdown in the industry and the national economy in general. The company is a subsidiary of BravoSolution S.p.A., which acts as parent and provides the subsidiaries with services relating to the corporate and technical functions it controls directly.

France

The French market is one of the most advanced and dynamic areas served by the BravoSolution group, in terms of the important industrial structure in France and the presence of large companies with sophisticated operations, factors that over the years have generated significant demand as well as qualified competition. In this context, BravoSolution France reported healthy growth with turnover of 11.4 million euro (+8.5% from 2015) and a small loss for the year.

Spain

The demand for software and technology in general on the Spanish market is structurally inferior to that of the other European markets addressed by the Group, but despite this and an economic cycle that has been negative for years, BravoSolution Espana is gradually improving its annual turnover and continues to hold a leadership position on the domestic market. In 2016 the company achieved significant turnover growth (+42.9% on 2015), and positive operating results.

United Kingdom

The company has a number of leading names from the British civil service in its customer base and is expanding its presence in the private sector. In 2016, it successfully continued business operations on the British market, reporting growth in turnover denominated in pounds (+8%) and a profit for the year.

USA

The group of companies headed by BravoSolution US closed 2016 with a small reduction in overall turnover compared with 2015 (-4.3%) to 13.1 million euro (13.7 million euro in 2015), and a loss for the year. In 2016 decisive re-organization and rationalization measures and top management changes were implemented to stimulate business growth and improve margins. The company is now working to resume its growth and expand its presence on the US and Canadian market, and also to coordinate group initiatives throughout the American continent. On August 1, 2016 BravoSolution US acquired the US company Technical Services Associates (d.b.a. Puridiom), which specializes in procurement management solutions and is based in Camp Hill, Pennsylvania. The acquisition is another step forward – if of a partial nature – in the offer of end-to-end solutions to support corporate procurement processes.

United Arab Emirates

Established in Dubai (UAE) in early 2011, the company is 51% owned by BravoSolution S.p.A. and 49% by Tejari World FZ, a company of Dubai World, the holding company of the Dubai government. When it was formed, the company took over a business division of a subsidiary of the local partner. It uses BravoSolution technology and operates in the United Arab Emirates and on the markets in the Persian Gulf and the Middle East. It continued to report growth in 2016, with a small increase in revenue to 10.6 million euro (+1.2% on 2015) and a profit for the year.

Research and development

In 2016 the BravoSolution group did not undertake research activities.

The BravoSolution group develops its software with both internal and external resources. Over time the division between the use of in-house staff and external resources has largely changed in favor of the former, with a key turning-point in 2008 following the direct recruitment of staff dedicated to software development in Italy and the acquisition of the US company Verticalnet, which already had an adequately structured function on site. The human resources dedicated to the development of software are therefore now mainly resident in the United States (in the offices in Vestal, N.Y.) and in Italy (offices in Milan).

Human resources

At December 31, 2016 the BravoSolution group had 658 employees, an increase of 25 from the end of 2015.

Risks and uncertainties

The group prepares annual budgets and long-term business plans, periodically checks its business and financial performance in order to reduce and control the risks and uncertainties to which it is exposed in the conduct of its operations; such risks and uncertainties derive from increases in operating expense or unexpected falls in revenue or the excessive growth of working capital with a consequent reduction in liquid funds.

In order to improve the timing and quality of its management data and reporting, during 2016 BravoSolution began the roll-out of a new IT management system.

Since its proprietary software platform (BravoAdvantage) is its core business, the group dedicates appropriate resources and makes the necessary investments to develop and improve the platform, being particularly careful to reduce IT risks, with specific reference to the risk of hacking.

Market risk

a) Interest-rate risk

The BravoSolution group has a normal interest-rate risk profile.

Its financial assets consist largely of demand or time bank deposits, regulated at floating market rates.

The main financial liabilities, which are in any case of a physiological size in the context of the group's financial structure, consist mainly of short- and long-term loans stipulated by the parent BravoSolution S.p.A. and a short-term line of credit at BravoSolution US, Inc. All these loans are regulated at floating market rates, therefore the Company is exposed to the possible increase in interest rates.

b) Exchange rate risk

The segment is not exposed to significant currency risks.

The consolidated financial statements and the parent's separate financial statements are presented in euro, as are those of other important companies in the group. Various group companies conduct their business and report in currencies other than the euro (mainly US dollars or currencies tied to the dollar and British pound).

The financial assets and liabilities of the group companies are for the most part denominated in euro or in the local currencies in which the companies operate and are therefore substantially not exposed to exchange-rate risk.

The trade assets and liabilities of the group companies are almost exclusively expressed in local currency and consequently are substantially not exposed to the exchange-rate risk, since they mutually balance out; assets and liabilities not expressed in local currency are mostly expressed in euro and are therefore not exposed to the exchange-rate risk at consolidated level.

Credit risk

In compliance with group procedures customers are preliminarily vetted for creditworthiness. Credit is monitored constantly, and appropriate reminders and credit recovery action are taken for overdue payments.

Concentrations of trade credit risks are limited by virtue of the group's broadly based and largely uncorrelated customer portfolio, over different geographical regions and consisting of both private-sector companies and public-sector agencies and entities.

Given the economic downturn of recent years and the consequential extension of terms of payment, particularly in some geographical areas and some customer sectors, the group has taken action to improve credit management and reduce collection times, achieving important results in the last three years. Allowances for impairment are quantified in relation to bad and doubtful receivables and provided mainly with regard to the most overdue amounts.

Liquidity risk

At the end of the year, group net financial debt was largely at the parent BravoSolution S.p.A., plus a short-term line of credit used by a subsidiary (BravoSolution US Inc.). The group also has its own liquid funds which, together with the existing lines of credit, enable it to ensure its ongoing operations.

Outlook

In some European countries and in North America the economic recovery following the long post-2008 recession is providing encouraging signals, while in other geographical areas where the group is present positive and negative phases alternate. In 2017, in implementation of the strategic guidelines for an enhancement of the central functions and an increase in revenue from technology, the BravoSolution group will continue to operate with a view to achieving further business growth in order to obtain an increase in revenue and improve profitability.

During 2017, the group will also continue to guarantee specific attention to all issues relating to data security and service quality, making the necessary investments in technology and organizational, IT and control procedures in order to safeguard information confidentiality, prevent hacking and maintain constantly high service quality.

Financial and private equity segment

The Financial and private equity segment comprises the parent Italmobiliare S.p.A., the subsidiary Franco Tosi S.r.l. and since October 2016 Clessidra SGR, the main private equity fund manager exclusively dedicated to the Italian market.

Business and financial performance

(in millions of euro)	**2016**	**2015**	**% change**
Revenue and income	**872.2**	**95.2**	***n.s.***
Gross operating profit	**791.3**	**49.7**	***n.s.***
% of revenue	*90.7*	*52.2*	
Amortization and depreciation	(0.4)	(0.2)	*(80.7)*
Operating profit	**790.9**	**49.5**	***n.s.***
% of revenue	*90.7*	*52.0*	
Net finance costs	(0.1)	(0.1)	*n.s.*
Impairment losses on financial assets	(27.2)	(0.5)	*n.s.*
Share of profit (loss) of equity-accounted investees	(0.5)	(1.2)	*58.3*
Profit before tax	**763.1**	**47.7**	***n.s.***
% of revenue	*87.5*	*50.1*	
Income tax (expense)	(14.6)	2.5	*n.s.*
Profit for the year	**748.5**	**50.2**	***n.s.***

n.s. not significant

(in millions of euro)	**December 31, 2016**	**December 31, 2015**
Equity	1,381.2	1,112.6
Net financial position of holding system	565.9	139.8
Number of employees at year end	67	26

* Italmobiliare S.p.A. and Franco Tosi S.r.l.

During the summer, conditions gradually improved on the global financial markets after the tension generated by the Brexit referendum: share prices began to rise again, yield differentials between ten-year treasury bonds and the corresponding German instruments narrowed, to a greater extent in Spain and Ireland, yields on long-term treasury instruments in the advanced countries rose slightly; specifically the US ten-year yield rose to approximately 1.7%.

After the US presidential elections, expectations of an expansionary budget policy and the rise in inflation and growth expectations led to a switch in portfolio composition from bonds to shares and a significant increase in long-maturity yields, while capital outflows resumed in the emerging countries, with a generalized depreciation in currencies.

In Italy, despite an improvement on the financial markets after the tensions generated by the result of the Brexit referendum, the situation continued to be affected by the weak economic recovery sustained by domestic demand, and fears over the profitability of the Italian and European banking sector. Share price volatility reached a peak at the time of the referendum on the Italian constitution, and then diminished as uncertainty eased. In the fourth quarter, share prices rose especially among bank stocks thanks to the action taken by the government in December to support banks' liquidity and assets.

The results of the financial segment in 2016 were positively affected by the non-recurring transactions completed during the year by the parent Italmobiliare, specifically the sale of the equity investment held in Italcementi to the German group HeidelbergCement AG and the simplification of the capital structure through distribution of a special dividend exclusively to the savings shareholders and the simultaneous mandatory conversion of savings shares into ordinary shares, as well as the good performance of the trading portfolio managed by Franco Tosi S.r.l.. In this context, the segment reported a profit for the year of 748.5 million euro (50.2 million euro in 2015).

Results and significant events in the year

In January, Franco Tosi reached a positive assessment on an investment opportunity in a US private equity fund issued by BDT Capital Partners. The company is based in Chicago and specializes in consultancy and financial support for industrial companies held by large mainly American families. BDT Capital Partners decided to re-open Fund II for approximately 1 billion US dollars, and Franco Tosi made a commitment for 50 million USD. At December 31, 2016 called-up capital was 23.5 million USD. The aim of the investment is to diversify Italmobiliare Group NAV on a geographical basis through direct participation in co-investments in the USA and in Europe, and also to enable Group companies already active in the USA to access the network of contacts for potential business development in diversified sectors.

On June 30, 2016, under the agreement with HeidelbergCement AG, Italmobiliare purchased from Italcementi its holdings in Italgen S.p.A. and BravoSolution S.p.A. and some properties in Rome. The overall consideration paid was 201.0 million euro, corresponding to the agreed price of 241 million euro, less the financial debt of the two companies acquired. In the consolidated and separate financial statements, the equity investments have been recognized at historic cost, since the transaction is classified as "*under common control*" requiring continuity of accounting values.

On July 1, 2016, again under the agreement with the German group, Italmobiliare S.p.A. transferred its entire holding in Italcementi S.p.A., equal to 45% of Italcementi share capital, to HeidelbergCement AG and to HeidelbergCement France S.A.S., a company wholly and indirectly held by HeidelbergCement AG. Specifically, in accordance with and execution of the preliminary share sale-purchase agreement signed on July 28, 2015 by Italmobiliare and HeidelbergCement AG, and the subsequent amendment of June 21, 2016, Italmobiliare sold 82,819,920 Italcementi shares to HeidelbergCement France for an overall amount of 877.9 million euro and transferred 74,351,887 Italcementi shares to HeidelbergCement AG in exchange for 10,500,000 new HeidelbergCement ordinary shares. HeidelbergCementi AG subsequently sold the transferred shares on to HeidelbergCement France. As a result of these transactions, HeidelbergCement France owns 45% of Italcementi share capital, while Italmobiliare now holds approximately 5.3% of post-increase HeidelbergCement share capital. The Italcementi share sale-purchase agreement drawn up with HeidelbergCement AG included arrangements applicable in the period prior to the sale, contractual guarantees and possible compensation obligations, in the customary forms for transactions of this type. Since execution of the sale, Italmobiliare has received a number of requests from the purchaser for the above arrangements to be applied. The company is assessing the legitimacy and contractual treatment of these requests with the purchaser.

As provided under the agreement, the new HeidelbergCement shares were issued in favor of Italmobiliare at a price of 75.06 euro each, equivalent to the weighted average HeidelbergCement share price in the period of 30 trading days ending on June 17, 2016, and recognized at fair value at July 1, 2016.

On August 4, 2016, an extraordinary meeting of the holders of ordinary shares and a special meeting of the holders of savings shares approved the transaction to simplify the capital structure of Italmobiliare S.p.A. through the distribution of an extraordinary dividend to the savings shareholders only and the simultaneous mandatory conversion of the savings shares into ordinary shares. Specifically, the transaction consisted of:

- the distribution to the savings shareholders only of an extraordinary preferred dividend, in part in cash (80.00 euro to each group of 10 savings shares) and in part in stock (3 HeidelbergCement AG ordinary shares to each group of 10 savings shares);

- the simultaneous mandatory conversion of the 16,343,162 savings shares into Italmobiliare S.p.A. ordinary shares, at a conversion rate of 1 new ordinary share for each group of 10 savings shares.

The transaction, which was subject to the condition that the right of withdrawal of the ordinary and savings shareholders pursuant to art. 2437 of the Italian Civil Code should not exceed, for either category, an overall amount of 30 million euro, reached a positive conclusion, with the withdrawal of only one savings shareholder with two savings shares, for an amount of 53.28 euro.

The extraordinary preferred dividend saw the distribution to the entitled parties of 4,759,229 HeidelbergCement AG shares and a cash amount of 126.9 million euro. Overall, the transaction generated a reduction of 523.9 million euro in Italmobiliare S.p.A. equity after use of the retained earnings, while the mandatory conversion of savings shares into ordinary shares required the issuance of 1,634,317 new ordinary shares. Since September 1, 2016, Italmobiliare share capital has been represented by 23,816,900 no-par ordinary shares, for an overall amount of 100,166,937 euro.

In compliance with the shareholders' resolution of April 21, 2016 with specific regard to national and community laws on treasury share purchases, in the third quarter of 2016 the company purchased savings treasury shares for 14.8 million euro. The 478,937 savings treasury shares held at the mandatory conversion date were converted into ordinary shares, after collection of the extraordinary dividend was waived. At December 31, 2016, Italmobiliare held 874,014 ordinary treasury shares representing 3.67% of share capital.

At the end of September 2016, after receipt of authorization from the Bank of Italy, the acquisition of Clessidra SGR was executed in accordance with the agreement signed in May. The transaction, which had already received the approval of the majority of subscribers of the Clessidra Capital Partners 3 fund, gave Italmobiliare ownership of 99% of Clessidra SGR capital. For the Italmobiliare Group, the purchase of Clessidra, which involved an investment of 18.8 million euro, is part of a wide-ranging portfolio diversification strategy and represents a unique opportunity for the development of its private equity business through the acquisition of the leading Italian player.

In December, Italmobiliare made a commitment for an overall amount of 92.1 million euro to the Clessidra Capital Partners 3 fund, of which 50.8 million euro had been paid at December 31, 2016.

On December 20, 2016, the Milan Tax Office served Italmobiliare S.p.A. with three separate tax assessment notices concluding a tax inspection relating to 2010 and subsequently extended to 2011, which concentrated specifically on a number of international investees in the banking/finance sector.

The matters contested in these notices fall into the two following categories:

- the first category is the non-taxation of the dividend distributed to Italmobiliare S.p.A. in 2010 by subsidiaries based in Switzerland;
- the second category is the transparency charge against Italmobiliare S.p.A. on income produced in 2010 and 2011 by some foreign investees qualified by the Tax Agency as **"***CFC White list***"**, or **"***CFC Black list***"**, in accordance with art. 167 of Presidential decree no. 917/1986.

Regarding the first category Italmobiliare has filed an appeal, while for the second category will file an appeal.

After Italcementi S.p.A. withdrew from its role as founding partner of Fondazione Italcementi Cav. Lav. Carlo Pesenti, Italmobiliare S.p.A. expressed its desire to continue supporting the foundation, and ensure the continuity of its operations. As from June 28, Italmobiliare is therefore the sole and exclusive owner of the foundation, which has changed its name to "Fondazione Cav. Lav. Carlo Pesenti".

Results in accordance with the financial model

Given the specific nature of the financial segment, to permit full understanding of performance, the table below sets out the results of the segment in the format normally used for financial companies. This reflects:

- **"**Net gains (losses) on equity investments**"** which includes, with regard to available-for-sale investments, dividends received, gains and losses realized on sales of equity investments, and impairment losses on these financial assets;
- **"**Net gains (losses) on investments of cash and cash equivalents**"**, which includes interest income on bank coupons and deposits, impairment losses on securities and trading equities, capital gains/losses on the sale of trading securities, income/expense on trading derivatives;
- **"**Net borrowing costs**"** which consists essentially of interest expense on loans and borrowings, bank commissions and costs;
- **"**Other income and expense**"**, which includes personnel expense and operating expenses for the financial structure, net of amounts recovered from other Group companies and movements on provisions for risks.

(in millions of euro)	**2016**	**2015**	**% change**
Net gains on equity investments	806.1	74.3	*n.s.*
Net gains (losses) on investments of cash and cash equivalents	(0.9)	1.5	*n.s.*
Net borrowing costs	(0.8)	(1.4)	*47.9*
Total finance income/costs	**804.4**	**74.4**	***n.s.***
Other expense	(41.3)	(26.7)	*(55.0)*
Income tax (expense)	(14.6)	2.5	*n.s.*
Profit for the year	**748.5**	**50.2**	***n.s.***

n.s. not significant

The financial and business context in which the Group financial companies operated and the non-recurring transactions detailed in the previous section generated net gains on equity investments of 806.1 million euro (74.3 million euro in 2015). The main components were as follows:

- the net gain of 754.5 million euro on the sale of the equity investment in Italcementi to the German group HeidelbergCement AG on July 1, 2016;
- the gain of 71.8 million euro from the distribution of HeidelbergCement AG shares as a dividend in kind to the savings shareholders, as part of the simplification of the capital structure;
- dividends of 6.8 million euro, down from 12.6 million euro in 2015 essentially as an effect of the absence in 2016 of the dividend paid by Italcementi which amounted to 14.1 million euro in 2015;

partially offset by:

- impairment losses of 27.2 million euro on equity investments (0.5 million euro in 2015) largely due to the impairment losses on bank stocks for 12.0 million euro and publishing stocks for 12.6 million euro to align carrying amount with market value;
- losses of equity-accounted investees for 0.5 million euro (-1.2 million euro in 2015), representing the group share of the loss reported by the associate Società Editrice Sud S.p.A..

The net gains on management of cash and cash equivalents at Franco Tosi for 4.2 million euro were offset by expense of approximately 6.0 million euro relating to derivatives for hedging transactions by Italmobiliare S.p.A., mitigated in part by measurement gains and interest income of 0.8 million euro on available-for-sale instruments in the parent portfolio. These factors essentially determined net losses on investments of cash and cash equivalents for 0.9 million euro (net gains of 1.5 million euro in 2015).

Net borrowing costs were down 47.9% to 0.8 million euro (1.4 million euro in 2015) mainly thanks to average segment debt only in the first half of 2016 for 123.7 million euro compared with 157.8 million euro in 2015.

Other expense net of other income totaled 41.3 million euro, up by 14.6 million euro compared to 2015 mainly due to costs relating to the project to sell the entire equity investment in Italcementi agreed at the end of July 2015 with HeidelbergCement and to provisions made in the year against outstanding risks for which future outlay is considered probable. Net of these non-recurring components and thanks to the positive contribution from Clessidra SGR, operating costs net of operating income were down 13.0%.

The segment posted a profit for 2016 of 748.5 million euro (50.2 million euro in 2015), after income tax expense of 14.6 million euro (a tax income of 2.5 million euro in 2015).

The companies in the financial segment hold substantial equity investments, the majority classified as "Available for sale". The fair value changes on these investments, excluding consolidated investments carried at cost less impairment losses in the separate financial statements, are recognized in equity under the "Fair value reserve" or in the income statement if the correlated financial assets have been impaired, in line with the accounting standards adopted by the Italmobiliare Group. At the end of 2016 the consolidated balance on this reserve in the financial segment was positive at 107.0 million euro (+33.0 million euro at December 31, 2015), an improvement of 74.0 million euro from the end of December 2015, essentially due to the effect of the positive performance of the HeidelbergCement AG share price.

Franco Tosi S.r.l.

Attention is drawn to the fact that after the non-recurring transactions in 2015, the merger in July of Société de Participation Financière Italmobiliare S.A. and the spin-off in December of the business line for management of general services and information technology to the newly established Italmobiliare Servizi S.r.l., the figures for 2015 are not entirely comparable with those of 2016.

(in millions of euro)	**2016**	**2015**	**% change**
Net gains on equity investments	-	51.3	*n.s.*
Net gains (losses) on investments of cash and cash equivalents	4.2	(2.2)	*n.s.*
Net borrowing costs	(0.3)	(0.1)	*n.s.*
Total finance income/costs	**3.9**	**49.0**	***(92.2)***
Other expense	(4.4)	(2.5)	*(72.0)*
Income tax expense	(1.0)	(0.6)	*(74.6)*
Profit (loss) for the year	**(1.5)**	**45.9**	***n.s.***

n.s. not significant

(in millions of euro)	**December 31, 2016**	**December 31, 2015**
Equity	292.0	301.4
Net financial position	249.0	278.7

The healthy performance of the trading portfolio generated net gains on investments of cash and cash equivalents for 4.2 million euro, a strong improvement from net losses of 2.2 million euro in 2015. The trading portfolio stood at 226.7 million euro at December 31, 2016, of which 191.2 million euro managed by third parties, and consisted largely of bonds and cash/money market instruments, with a conservative risk profile consistently with the Italmobiliare Group investment policies. Specifically, the bond segment consists mainly of fixed-rate instruments, diversified on a geographical and sector basis, with limited exposure on the individual instruments.

Operating expense amounted to 4.4 million euro, an increase of 1.9 million euro from 2015, and included provisions for risks of 3.2 million euro in connection with requests received from Vontobel Holding AG with regard to the sale of Finter Bank Zürich in September 2015.

After income tax expense of 1.0 million euro relating mainly to prior-year tax at the Swiss subsidiary, the company posted a loss for the year of 1.5 million euro (profit of 45.9 million euro for 2015). The profit for 2015 benefited from the large gain arising from the sale of the equity investment in Finter Bank Zürich (51.4 million euro).

Besides managing a trading portfolio, Franco Tosi S.r.l. holds the foreign equity investments of the financial segment: Crédit Mobilier de Monaco S.A., Société d'Etudes de Participations et de Courtage S.A., both based in the Principality of Monaco, and Finimage 15 Sagl (Switzerland). In connection with the sale of Finter Bank Zürich, in 2015 Franco Tosi invested approximately 10 million Swiss francs in Vontobel Holding AG shares, for 0.349% of the Swiss group's share capital. The portfolio for "Equity investments in other companies" includes a stake of 11.68% in Burgo Group S.p.A. and a small equity investment in UBI Banca tied to the so-called "*Patto dei Mille*" shareholders' agreement.

As noted in the section "Significant events in the year", Franco Tosi has an investment in BDT Capital Partners Fund II, a US private equity fund, for a commitment of 50 million USD. At December 31, 2016 the called-up capital was 23.5 million USD. The fund is carried under non-current financial assets for 22.4 million euro, with NAV of 23.9 million euro at December 31, 2016.

Among non-current assets, besides the aforementioned equity investments, a commercial property located in Chiasso is carried at a total amount of 8.8 million euro. Its management is entrusted to a local specialist agency. The majority of properties were rented in 2016 and the related considerations were aligned with market prices at the time of signature of the respective contracts.

Clessidra SGR

Clessidra SGR (*Società di Gestione del Risparmio)*, an asset management company authorized and monitored by the Bank of Italy, is the main private equity fund manager dedicated exclusively to the Italian market.

2016 was characterized by management of the Clessidra Capital Partners, Clessidra Capital Partners II and Clessidra Capital Partners 3 funds, which completed collection of subscriptions on November 30, 2016. A brief analysis of the managed funds is provide below:

- Clessidra Capital Partner (CCP): 2016 was largely a year of divestment of the portfolio. At December 31, 2016 the total called-up and invested amount was 807.7 million euro, representing 98.5% of the subscribed amount. At the end of the year, the fund realized and distributed income for 930.8 million euro (before tax) with a net IRR of 66.7%;
- Clessidra Capital Partner II (CCPII): during 2016 together with management of the companies in portfolio, the fund partially divested the Euticals company, reached an agreement for the sale of the equity investment in Buccellati, and began a bidding procedure for the sale of the company Bitolea. At December 31, 2016 it reported income of 1,157 million euro, with gross IRR of approximately 27% (net IRR 18.29%);
- Clessidra Capital Partner 3 (CCP3): in 2016 the SGR was engaged in investment and management of the post-closing phase of the fund's first three investments (Cavalli, ABM, and ICBPI). At December 31, 2016 the total amount called-up by the fund was 328.6 million euro. At the reporting date net IRR was 10.11%. The fund subscription period closed on November 30, 2016 and was subscribed for an amount of 607.3 million euro. The parent Italmobiliare has also invested in this fund, with an overall financial commitment of 92.1 million euro, of which 50.8 million euro paid at December 31, 2016.

As noted in “Results and significant events in the year”, Clessidra SGR was acquired by Italmobiliare S.p.A. at the end of September 2016; consequently the consolidated figures for the year represent the results of operations in the fourth quarter, and the financial position at December 31, 2016.
Details of the main income statement captions for the fourth quarter of 2016 at Clessidra SGR are set out below:

(in millions of euro)	**2016 (Q4)**
Commission income	**7.2**
Total income	**6.7**
Administrative expense	(4.7)
Other operating income and expense	0.2
Operating profit	**2.2**
Income tax expense	(0.8)
Profit for the year	**1.4**

(in millions of euro)	**December 31, 2016**
Equity	18.1

Total income of 6.7 million euro arose essentially from management commissions on the Clessidra funds for 7.2 million euro and the operating loss of 0.6 million euro on the management of financial assets.

The quarter's administrative expense amounted to 4.7 million euro and comprised personnel expense of 3.6 million euro, consultancy and management expense of 1.1 million euro.

After net other operating income of 0.2 million euro and tax expense of 0.8 million euro, the quarter closed with a profit of 1.4 million euro.

During 2017 Clessidra SGR will continue management of the equity investments in the managed funds portfolio. Specifically with regard to the CCPII fund, management activities will be flanked by the search for and finalization of divestment opportunities. The CCP3 fund will continue investment operations.

* * *

Operations and performance for the parent **Italmobiliare S.p.A.** are described in the specific section in the directors' report and in the notes to the separate financial statements.

Net financial position of Italmobiliare and the holding system

(in millions of euro)	December 31, 2016		December 31, 2015	
	Italmobiliare	**Holding system**	**Italmobiliare**	**Holding system**
Current financial assets	310.1	553.3	9.5	278.6
Current financial liabilities	(11.0)	(11.3)	(133.9)	(133.3)
Current net financial position (debt)	**299.1**	**542.0**	**(124.4)**	**145.3**
Non-current financial assets	25.0	31.0	5.5	14.5
Non-current financial liabilities	(7.1)	(7.1)	(20.0)	(20.0)
Non-current net financial position (debt)	**17.9**	**23.9**	**(14.5)**	**(5.5)**
Net financial position (debt)	**317.0**	**565.9**	**(138.9)**	**139.8**

The current financial assets of the holding system (Italmobiliare S.p.A. and Franco Tosi S.r.l.) at December 31, 2016 were 553.3 million euro, an increase of 274.7 million euro largely arising from the cash generated by the non-recurring transactions at Italmobiliare S.p.A.. 47%, equivalent to approximately 261 million euro, or 47% were managed by external counterparties, while the residual amount consisted substantially of cash/money market instruments.

The table below shows the main changes in the net financial position of Italmobiliare and the holding system.

(in millions of euro)	Italmobiliare	Holding system
Equity investments sold	1,019.9	918.7
Equity investments acquired	(361.6)	(292.3)
Investments in property	(15.6)	(15.7)
Purchase of treasury shares	(14.8)	(14.8)
Dividends paid	(143.2)	(143.2)
Dividends received	5.7	5.9
Net finance costs	(6.1)	(2.5)
Current operations and non-recurring items	(28.4)	(30.0)
Total	**455.9**	**426.1**

Risks and uncertainties

The main risks of the financial segment are described below.

Risks relating to general economic conditions

The economic forecasts for 2017 suggest an uncertain international financial scenario: the stock markets, especially in the advanced economies, seem to continue to grow, the dollar has appreciated, causing concern for the emerging markets and at the same time interest rates are rising especially in the USA and on long-term maturities, making the bond markets less appealing. Uncertainty over the implementation of the tax, infrastructure and foreign policy strategies announced by Trump is creating additional volatility.

In Europe moderate fragmented growth is forecast: the general context is made difficult by the risk of terrorist incidents and difficulty in managing immigration, as well as by the uncertainty of the forthcoming political elections (Netherlands, France, Germany and possibly Italy) and the outcome of Brexit. The ECB Governing Council has extended its securities purchase program to 2017, pending a sustainable level of inflation.

This global context could affect the Group's economic and financial outlook.

Risks for holding operations

Directly and through its subsidiaries Italmobiliare carries out investment activities involving risks arising from the difficulty of identifying new investment opportunities that respond to objectives, or difficulty in divesting, especially in non-listed companies, because of changes in general financial and economic conditions. The risks connected to effective management of these activities could have negative effects on the companies' financial positions and results of operations.

Italmobiliare also holds investments in listed securities. Exposure to this type of investment is part of its core business as a long-term investor, and consequently Italmobiliare does not apply short-term approaches to management of its equity portfolio. Risk is monitored constantly; nevertheless, an adverse change in the share prices of its equity investments could affect its financial position and results of operations.

The results of the financial segment also depend on:

- the creation and realization of gains/losses on equity investments, which characteristically are not of a periodical and/or recurring nature,
- collection of dividends from the non-controlling equity investments in portfolio, whose distribution and payment policies are independent of Italmobiliare.

Consequently, the segment's business performance may not follow a linear and/or significantly comparable trend from one year to the next.

Italmobiliare S.p.A. is present in the industrial and services for industry segment, the financial and private equity segment and the other activities segment. It is therefore exposed to the typical risks on the markets and in the segments in which its investees operate.

Financing risks

Access to the capital market and to other forms of financing, and related costs, depends on companies' creditworthiness and on the general economic conditions of the market and the credit system. Any downgrade in creditworthiness and/or a general credit squeeze can restrict access and raise the borrowing costs, with negative repercussions on the companies' financial positions and results of operations.

The liquidity of the equity and bond portfolio may be influenced by contingent market situations that reduce market variety and efficiency. The group concentrates on maintaining a high level of liquidity in its portfolio by diversifying investments, using financial instruments with systematic pricing, daily evaluation of resources using prudential approaches, and selection of counterparties on the basis of creditworthiness and reliability. The volatility of the markets and, in particular, contractions in the variety of trading in the presence of systemic events mean, however, that there is no guarantee that divestment strategies can be executed as and when planned.

Risks of fluctuation in interest and exchange rates

A significant portion of cash is invested in bonds: a rise in interest rates could therefore have a negative impact on the value of the bond portfolio.

To mitigate the risks connected with fluctuation in the fair value of assets, interest and exchange rates, hedging transactions may be arranged when the market presents opportunities assessed on the basis of the Italmobiliare asset and liability structure.

Despite possible hedges, sudden fluctuations in interest rates could have a negative impact on the segment's financial position and results of operations.

The financial segment does not have a material exposure to the currency risk.

Legal and tax risks

Suitable provisions have been recognized with regard to existing legal and tax risks and their related economic effects. Estimates and measurements are based on available information and are in any case regularly reviewed, with immediate recognition in the financial statements of any variations. Nonetheless, it is not possible to exclude future negative impacts connected to these risks on the financial positions and results of operations of Italmobiliare and/or of its subsidiaries and associates.

Insurance

Italmobiliare S.p.A. has taken out policies with leading insurance providers to cover main risks to people and property, as well as general third-party liability cover.

Environment and human resources

Given the nature of the companies in this segment, no significant environmental problems exist.

At December 31, 2016 the segment had 67 employees, up 41 from the end of 2015. The increase related to personnel at Clessidra (+30 employees) and at Italmobiliare (+11 employees) for the assumption of functions previously conducted in synergy with Italcementi S.p.A. and now managed directly by Italmobiliare S.p.A..

The majority of human resources work in Italmobiliare S.p.A. and Clessidra SGR. As part of the initiatives to improve the corporate governance system, priority has been given, at Italmobiliare S.p.A., to the development and updating of an integrated corporate governance system (organization, powers and processes).

Outlook

Although a slight strengthening of global growth has been underway since the summer, the main risk to economic recovery is the possible rise of protectionist pressures which could slow or reverse the liberalization of trade, with negative effects for global growth. The initial increase in medium/long-term interest rates in the USA, stimulated by an economy close to full employment, has spread, for now to a contained extent, to the other main countries, due to the structure of their monetary policies.

In the Eurozone, economic growth is gradually consolidating thanks to the measures taken by the Governing Council of the ECB, which have reduced the risk of deflation and paved the way for a gradual return to monetary stability, while unfavorable effects could come from uncertainty over the negotiations for the new trade relations between the EU and the UK.

This context could have repercussions on the financial markets, raising volatility and consequently affecting the currently results of the segment in 2017.

Other activities

This segment comprises a number of real estate companies, services companies operating largely within the Group and a bank based in the Principality of Monaco. The segment is of marginal importance within the Italmobiliare Group.

At December 31, 2016 segment revenue totaled 3.4 million euro, up 88.6% from 2015 (1.8 million euro) and consisted largely of income at Crédit Mobiliere de Monaco and gains realized by the real estate business.

After operating expense of 3.8 million euro, the segment recorded a gross operating loss of 0.4 million euro (gross operating profit of 0.2 million euro in 2015).

Amortization and depreciation of 78 thousand euro and income tax expense of 182 thousand euro generated a loss for the year of 643 thousand euro (-7 thousand euro in 2015). The result essentially reflected the contribution of the Monaco bank, with profit of 247 thousand euro, and the real estate business for approximately 149 thousand euro, while the services business reported a loss of approximately 1,123 thousand euro.

Equity at December 31, 2016 stood at 10.2 million euro (7.4 million euro at December 31, 2015) and the net financial position was positive at 7.4 million euro (6.8 million euro in 2015).

Main risks and uncertainties

As noted above, the segment is of marginal importance within the Italmobiliare Group as a whole; however, it comprises various types of company, each of which deals with specific risks and uncertainties:

- the services companies provide general, IT, surveillance and security services essentially within the Italmobiliare Group, charging the companies they serve on the basis of the existing contracts and are therefore not exposed to significant risks;
- the real estate companies hold land and small stakes in non-listed companies. They are exposed to market trends, which could affect the value of their assets, even though at the moment their value is significantly contained;
- Crédit Mobilier de Monaco is a bank active mainly in guarantee-backed loans, based in the Principality of Monaco. The bank is not exposed to specific risks with respect to customers, suppliers and competitors and its business does not present particularly critical elements, since its loans have a duration of 6 months and can therefore be revalued at suitably frequent intervals. The guarantees are adequate with respect to the loans provided. Overall, no material problems exist with regard to regulations and procedures applied in the operations of Crédit Mobilier de Monaco.

  Doubtful receivables on guarantee-backed loans totaled 114 thousand euro at the end of 2016 (down by 35 thousand euro compared with December 31, 2015). They related to two disputes (one dating back to January 2004, which has been gradually reduced and is now being settled for 66 thousand euro, and a case that arose in 2014 for 48 thousand euro). Collection of the doubtful receivables in question is covered by the collateral (pledges) available to the bank.

  Security procedures are adequate.

Information on personnel and the environment

Personnel are adequate for the needs of the companies in the segment. No material environmental issues exist.

At December 31, 2016 the segment had 37 employees, up 23 from the end of 2015. The increase was essentially attributable to the general and security services sub-segment, which took over functions previously conducted in synergy with Italcementi S.p.A. and now handled directly by the companies of the Italmobiliare S.p.A. Group.

Outlook

The Monaco bank's results in 2017 will depend on the quantity and quality of the guarantee-backed loans it provides to customers, while continuing uncertainty on the real estate market will affect the margins of the real estate sub-segment. The services sub-segment will continue its operations within the group, paying special attention to cost containment. These trends will influence its performance and make it impossible to provide reliable forecasts about the results for the current year.

Human resources

The Italmobiliare Group had 2,067 employees at December 31, 2016, an increase of 150 from December 31, 2015.

The following table provides a breakdown of employees by operating segment.

(headcount)	December 31, 2016		December 31, 2015	
		%		%
Operating segment				
Industrial and services for industry segment	1,963	*95.0*	1,877	*97.9*
Financial and private equity segment	67	*3.2*	26	*1.4*
Other activities	37	*1.8*	14	*0.7*
Total	**2,067**	***100.0***	**1,917**	***100.0***

Transactions with related parties

For the purposes of the consolidated financial statements, transactions with related parties were with:

- subsidiaries not consolidated on a line-by-line basis;
- associates and their subsidiaries;
- other related parties.

The figures at December 31, 2016 for transactions with related parties are provided in the notes.

All transactions with related parties, whether for the exchange of goods and services or of a financial nature, are conducted at normal market conditions and in compliance with the Code of Conduct.

No atypical or unusual transactions took place in 2015 as defined by Consob Communication no. DEM/6064293 of July 28, 2006.

Transactions with subsidiaries, associates and the subsidiaries of such companies

Transactions with subsidiaries, associates and non-consolidated subsidiaries of such companies are of a trade nature (exchange of goods and/or services) or a financial nature.

Transactions with other related parties

Transactions with other related parties in 2016 were as follows:

- administrative, financial, contractual and tax consultancy services, as well as support for the organization of corporate restructuring operations, supplied to the Italmobiliare Group by Finsise S.p.A., whose majority shareholder is Italo Lucchini, Deputy Chairman of Italmobiliare, for considerations totaling 181.2 thousand euro of which the Italcementi group for 180 thousand euro in the first half of 2016;
- legal consultancy, judicial and extrajudicial assistance provided to the Italmobiliare Group by the Gattai Minoli Agostinelli & Partners law firm, of which the director Luca Minoli is a partner, for considerations of approximately 1.1 million euro;

In 2016 Italmobiliare S.p.A. made an endowment to the Fondazione Cav. Lav. Carlo Pesenti foundation of 900 thousand euro. Furthermore, in the first half of 2016 the Italcementi group made non-recurring contribution of 10 million euro, and charged the foundation 151 thousand euro for the provision of administrative and corporate services.

Transactions with related parties are illustrated in the notes; remuneration of Italmobiliare S.p.A. directors, statutory auditors, chief operating officer and manager in charge of financial reporting is illustrated in the remuneration report.

For details of Italmobiliare S.p.A. transactions with related parties, the reader is referred to the specific sections in the directors’ report and the notes to the parent’s separate financial statements.

Disputes and pending proceedings

Appropriate provision has been made on an accruals basis for legal and tax disputes concerning Group companies, in cases where, with respect to risks that have emerged and assessment of related risks, contingent liabilities are probable and measurable.

Details of the main disputes are provided in the sections on the individual segments.

* * *

Information on “Significant events after the reporting date” is provided in the Notes.

* * *

Outlook

Although leading analysts view the upturn in the global economy with a moderately positive outlook, it is subject to a number of factors of uncertainty: prospects in the USA will depend on the economic policies introduced by the new administration, the measures announced with regard to budget policy and possible trade restrictions. Additional unfavorable effects could come from uncertainty over the negotiations to establish the new trade relations between the European Union and the United Kingdom and from the high volatility in growth trends in the emerging countries.

In the Eurozone, economic growth seems to be strengthening, mainly sustained by internal demand thanks to the expansionary monetary policy measures adopted by the European Central Bank, confirmed by its Governing Council last January 19. However, the slow introduction of structural reforms and additional budget adjustments in various public and private sectors could slow economic growth in the Eurozone.

In this context the companies in the Industrial and services for industry segment will continue to focus on achieving further business growth and improving margins, while keeping close control over costs, while results in the Financial and private equity segment will be significantly conditioned by national and international economic and political developments. Italmobiliare will also continue to invest existing liquidity, seeking opportunities in different sectors.

Milan, March 2, 2017

For the Board of Directors
The Chief Executive Officer
(Carlo Pesenti)
(signed on the original)

Italmobiliare Group
Consolidated financial statements as at and for the year ended December 31, 2016

Financial statements

Statement of financial position

(in thousands of euro)	Note	12.31.2016	12.31.2015 IFRS 5	Change
Non-current assets				
Property, plant and equipment	1	132,432	131,238	1,194
Investment property	2	6,473	6,510	(37)
Goodwill	3	30,118	24,423	5,695
Intangible assets	4	21,981	20,009	1,972
Equity-accounted investees	5	9,297	17,735	(8,438)
Other equity investments	6	662,078	204,387	457,691
Trade receivables and other non-current assets	7	114,866	37,270	77,596
Deferred tax assets	21	19,868	23,047	(3,179)
Total non-current assets		**997,113**	**464,619**	**532,494**
Current assets				
Inventories	8	35,753	33,459	2,294
Trade receivables	9	101,883	108,001	(6,118)
Other current assets including derivatives	10	34,725	25,006	9,719
Tax assets	11	9,291	3,782	5,509
Equity investments, bonds and loan assets	12	295,530	173,395	122,135
Cash and cash equivalents	13	285,505	118,173	167,332
Total current assets		**762,687**	**461,816**	**300,871**
Assets held for sale	37		**8,598,004**	**(8,598,004)**
Total assets		**1,759,800**	**9,524,439**	**(7,764,639)**
Equity				
Share capital	14	100,167	100,167	
Share premium	15	177,191	177,191	
Reserves		127,456	85,747	41,709
Treasury shares	16	(34,568)	(20,792)	(13,776)
Retained earnings		954,709	1,496,244	(541,535)
Equity attributable to owners of the parent		**1,324,955**	**1,838,557**	**(513,602)**
Non-controlling interests	17	9,212	2,490,918	(2,481,706)
Total equity		**1,334,167**	**4,329,475**	**(2,995,308)**
Non-current liabilities				
Financial liabilities	19	77,909	43,242	34,667
Employee benefits	18	15,196	11,444	3,752
Provisions	20	98,889	50,295	48,594
Other liabilities		600	1,637	(1,037)
Deferred tax liabilities	21	35,523	4,282	31,241
Total non-current liabilities		**228,117**	**110,900**	**117,217**
Current liabilities				
Bank loans and borrowings	19	28,247	156,851	(128,604)
Financial liabilities	19	27,152	62,971	(35,819)
Trade payables	22	53,933	58,215	(4,282)
Provisions	20	844	986	(142)
Tax liabilities	23	2,805	1,846	959
Other liabilities	24	84,535	71,112	13,423
Total current liabilities		**197,516**	**351,981**	**(154,465)**
Total liabilities		**425,633**	**462,881**	**(37,248)**
Liabilities directly linked to assets held for sale	37		**4,732,083**	**(4,732,083)**
Total equity and liabilities directly related to discontinued operations		**1,759,800**	**9,524,439**	**(7,764,639)**

Pursuant to Consob Resolution no. 15519 of July 27, 2006, the effects of transactions with related parties on the financial position and results of operations are set out in the relevant annexes.

Income statement

(in thousands of euro)	Note	2016	%	2015 IFRS 5	%	Change	%
Revenue		379,259		401,969		(22,710)	
Income from distribution to shareholders		71,769				71,769	
Total revenue and income	25	**451,028**	**100.0**	**401,969**	**100.0**	**49,059**	**12.2**
Other revenue		6,229		8,355		(2,126)	
Change in inventories		1,251		(1,373)		2,624	
Internal work capitalized		6,093		5,691		402	
Raw materials and supplies	26	(147,639)		(170,996)		23,357	
Services	27	(72,221)		(69,656)		(2,565)	
Personnel expenses	28	(150,786)		(133,102)		(17,684)	
Other operating income (expense)	29	(36,204)		(42,875)		6,671	
Gross operating profit (loss)		**57,751**	**12.8**	**(1,987)**	**-0.5**	**59,738**	**n.s.**
Amortization and depreciation	31	(19,989)		(19,749)		(240)	
Reversal of impairment losses (impairment losses) on non-current assets	32	(316)		2,770		(3,086)	
Operating profit (loss)		**37,446**	**8.3**	**(18,966)**	**-4.7**	**56,412**	**n.s.**
Finance income	33	164		4,237		(4,073)	
Finance costs	33	(4,077)		(4,343)		266	
Exchange-rate differences and net gains (losses) on derivatives	33	(1,654)		(808)		(846)	
Impairment losses on financial assets	34	(26,232)		(457)		(25,775)	
Share of profit (loss) of equity-accounted investees	35	(509)		(1,590)		1,081	
Profit (loss) before tax		**5,138**	**1.1**	**(21,927)**	**-5.5**	**27,065**	**n.s.**
Income tax expense	36	(18,555)		(4,218)		(14,337)	
Loss relating to continuing operations		**(13,417)**	**-3.0**	**(26,145)**	**-6.5**	**12,728**	**48.7**
Profit relating to discontinued operations, net of tax effects	37	81,626		80,932		694	
Profit for the year		**68,209**	**15.1**	**54,787**	**13.6**	**13,422**	**24.5**
Attributable to:							
Owners of the parent		56,974	12.6	6,954	1.7	50,020	n.s.
Non-controlling interests		11,235	2.5	47,833	11.9	(36,598)	-76.5
Earnings per share	39						
Basic ordinary shares		2.607 €		0.151 €			
Basic savings shares				0.229 €			
Diluted ordinary shares		2.603 €		0.151 €			
Diluted savings shares				0.229 €			

Statement of comprehensive income

(in thousands of euro)	Note	2016	%	2015 IFRS 5	%	Change	%
Profit for the year		**68,209**	**15.1**	**54,787**	**13.6**	**13,422**	**24.5**
Other comprehensive income (expense) relating to continuing operations	38						
Items that will not be reclassified to profit or loss subsequently							
Re-measurement of the net liability/(asset) for employee benefits		180		504		(324)	
Re-measurement of the net liability (asset) for employee benefits - investments in equity-accounted investees							
Income tax (expense)		48		(107)		155	
Total items that will not be reclassified to profit or loss subsequently		**228**		**397**		**(169)**	
Items that might be reclassified to profit or loss subsequently							
Translation reserve on foreign operations		(4,854)		(19,843)		14,989	
Translation reserve on foreign operations - investments in equity-accounted investees							
Fair value gains (losses) on cash flow hedging							
Fair value gains (losses) on cash flow hedging - investments in equity-accounted investees		4		83		(79)	
Fair value gains on available-for-sale financial assets		96,588		26,196		70,392	
Fair value gains (losses) on available-for-sale financial assets - investments in equity-accounted investees							
Income tax (expense)		(24,951)		2,213		(27,164)	
Total items that might be reclassified to profit or loss subsequently		**66,787**		**8,649**		**58,138**	
Total other comprehensive income relating to continuing operations net of tax effect		**67,015**		**9,046**		**57,969**	
Other comprehensive income (expense) relating to discontinued operations		47,560		89,977		(42,417)	
Total other comprehensive income		**114,575**		**99,023**		**15,552**	
Total comprehensive income		**182,784**	**40.5**	**153,810**	**38.3**	**28,974**	**18.8**
Attributable to:							
owners of the parent		171,590		50,834		120,756	
non-controlling interests		11,194		102,976		(91,782)	

Consolidated statement of changes in equity

	Attributable to owners of the parent										Non-controlling interests	Total equity
		Reserves										
(in thousands of euro)	Share capital	Share premium	AFS fair value reserve	Hedging reserve	Actuarial gain/losses on defined benefit plans	Other reserves	Treasury shares	Translation reserve	Retained earnings (losses carried forward)	Total share capital and reserves		
Balance at December 31, 2014	**100,167**	**177,191**	**18,231**	**-9,158**	**-18,941**	**64,572**	**-21,226**	**-8,055**	**1,503,493**	**1,806,274**	**2,480,106**	**4,286,380**
Profit for the year									6,954	6,954	47,833	54,787
Total other comprehensive income (expense) continuing operations			28,409	38	349			-20,422		8,374	672	9,046
Total other comprehensive income (expense) relating to assets held for sale			-2,530	-1,759	6,308			33,487		35,506	54,471	89,977
Total comprehensive income (expense)			**25,879**	**-1,721**	**6,657**			**13,065**	**6,954**	**50,834**	**102,976**	**153,810**
Dividends									-11,694	-11,694	-93,755	-105,449
Purchase of treasury shares							434			434		434
% change in control and scope of consolidation and reclassifications					1,428	-1,200			-7,519	-7,291	1,591	-5,700
Balance at December 31, 2015	**100,167**	**177,191**	**44,110**	**-10,879**	**-10,856**	**63,372**	**-20,792**	**5,010**	**1,491,234**	**1,838,557**	**2,490,918**	**4,329,475**
Profit for the year									56,974	56,974	11,235	68,209
Total other comprehensive income (expense) continuing operations			71,635	4	216			-4,799		67,056	-41	67,015
Total other comprehensive income (expense) relating to assets held for sale			-16	18,859				28,717		47,560		47,560
Total comprehensive income			**71,619**	**18,863**	**216**			**23,918**	**56,974**	**171,590**	**11,194**	**182,784**
Dividends									-540,262	-540,262	-52,683	-592,945
Purchase of treasury shares							-14,849			-14,849		-14,849
% change in control and scope of consolidation and reclassifications			375	-8,475	9,506	-50,395		-34,003	-47,808	-130,800	-2,440,217	-2,571,017
Others							1,073		-354	719		719
Balance at December 31, 2016	**100,167**	**177,191**	**116,104**	**-491**	**-1,134**	**12,977**	**-34,568**	**-5,075**	**959,784**	**1,324,955**	**9,212**	**1,334,167**

Statement of cash flows

(in thousands of euro)	Note	2016	2015 IFRS 5
A) Cash flow from operating activities:			
Profit (loss) before tax		5,138	(21,927)
Adjustments for:			
Amortization, depreciation and impairment losses		46,539	17,436
Reversal of share of profit (loss) of equity-accounted investees		509	1,163
(Gains)/losses on non-current assets		(78,123)	(9,857)
Change in employee benefits and other provisions		13,849	33,920
Stock options			
Reversal of net finance costs and income		5,182	(2,387)
Cash flow from operating activities before tax, finance income/costs, change in working capital		**(6,906)**	**18,348**
Change in working capital:			
Inventories		(2,299)	(4,441)
Trade receivables		1,748	(3,727)
Trade payables		(2,196)	12,438
Other receivables/payables, prepayments and accrued income, accrued expense and deferred income		20,001	12,214
Cash flow from operating activities before tax, finance income/costs		**10,348**	**34,832**
Net finance costs paid		(772)	(1,614)
Dividends received		6,839	5,224
Taxes paid		(3,016)	(16,653)
		3,051	**(13,043)**
Cash flow from operating activities of discontinued operations			433,943
Total A)		**13,399**	**455,732**
B) Cash flow used in investing activities:			
Capital expenditure:			
investment property		(17,748)	(15,768)
assets		(11,048)	(6,784)
Financial assets (equity investments) net of cash acquisitions (*)		(146,616)	(12,304)
Total capital expenditure		**(175,412)**	**(34,856)**
Proceeds from sale of non-current assets and loan repayments		61,630	113,785
Proceeds from discontinued operations		676,896	
Total sales		**738,526**	**113,785**
Cash flow used in investing activities of sold operations			(227,936)
Cash flow used in investing activities of discontinued operations			(302,673)
Total B)		**563,114**	**(451,680)**
C) Cash flow from (used in) financing activities:			
Change in financial liabilities		(123,438)	(20,754)
Change in financial assets		(27,809)	(56,674)
Change in current equity investments		(82,905)	1,057
Purchase of treasury shares		(14,849)	434
Percentage change in interests in consolidated companies			
Dividends paid		(144,830)	(11,694)
Other changes in equity		(24,982)	356
Cash flow from (used in) financing activities of discontinued operations			(136,490)
Total C)		**(418,813)**	**(223,765)**
D) Translation differences and other changes			
Translation differences and other changes		9,632	718
Translation differences and other changes relating to discontinued operations			(526,369)
Total D)		**9,632**	**(525,651)**
E) Cash flows for the period (A+B+C+D)		**167,332**	**(745,364)**
F) Cash and cash equivalents at beginning of the period		**118,173**	**863,537**
Cash and cash equivalents at end of the period (E+F)	13	**285,505**	**118,173**

Cash flows used in investing activities and from sales of non-current assets are discussed in the relevant section of the notes.

Notes

The consolidated financial statements of Italmobiliare S.p.A. as at and for the year ended December 31, 2016 were approved by the Board of Directors on March 2, 2017. At the meeting, the Board authorized publication of a press release dated March 2, 2017, containing key information from the financial statements.
As required by IAS 10, attention is drawn to the fact that these consolidated financial statements may be amended by the Shareholders' Meeting.
The financial statements have been drawn up on a going-concern basis. Despite the difficult general economic and financial situation, the Group has no material uncertainties about its going-concern status, by virtue of the action already taken to respond to the changes in demand, and its industrial and financial flexibility.

Core businesses

Italmobiliare S.p.A. is a legal entity established in accordance with the laws of the Republic of Italy. It has been listed on the Milan Stock Exchange since 1980.
Italmobiliare S.p.A. and its subsidiaries form the "Italmobiliare Group", an international player in the industrial and services for industry segment, the financial and private equity segment and the other activities segment.

Accounting policies

These consolidated financial statements have been drawn up in compliance with the International Financial Reporting Standards (IFRS) applicable at December 31, 2016 as endorsed by the European Union, and with the dispositions for enactment of article 9 of Legislative Decree no. 38/2005. The term IFRS also includes all revised international accounting standards (IAS) and all the interpretations issued by the IFRIC/SIC.
The Italian laws that enact EU Directive 2013/34 also apply, where compatible, to companies that draw up financial statements in accordance with the IFRS. Consequently, the financial statements are compliant with the Italian Civil Code and the corresponding indications of the Consolidated Finance Act (TUF, *Testo Unico della Finanza*) for listed companies with regard to the directors' report, the legally-required audit and the publication of the financial statements. The consolidated financial statements and related notes also set out the details and additional disclosures required under the articles of the Italian Civil Code governing financial statements, since such requirements are not in conflict with the IFRS, and under other Consob regulations and dispositions governing financial statements.
In compliance with European Regulation no. 1606 of July 19, 2002, the policies adopted do not include the standards and interpretations published by the IASB and the IFRIC through December 31, 2016, that had not been endorsed by the European Union at that date.
Since January 1, 2016, the Group has adopted the new standards and changes described below, including the changes arising therefrom applied to other standards.

- Amendments to IAS 19 "Employee benefits" with regard to "Defined benefit plans: employee contributions"; the amendments are designed to simplify and clarify accounting treatment of employee or third-party contributions relating to defined benefit plans.
- "Annual improvements cycle 2010-2012". The changes to IFRS 8 "Operating segments", IFRS 13 "Fair value measurement", IAS 16 "Property, plant and equipment", IAS 24 "Related party disclosures" and IAS 38 "Intangible assets" set out clarifications or corrections to the current texts. The changes to IFRS 2 "Share-based payment" and IFRS 3 "Business combinations" involve changes to current requirements or provide additional indications regarding application.
- Changes to IAS 1 "Presentation of financial statements" in connection with the "Disclosure initiative" to improve disclosure effectiveness and encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The changes to IAS 1 have necessitated adjustments to IAS 34 "Interim financial reporting" and IFRS 7 "Financial instruments: disclosures" to ensure consistency among the various standards.

- “Annual improvements cycle to IFRS 2012-2015”. The changes to IFRS 5 “Non-current assets held for sale and discontinued operations”, the afore-mentioned IAS 34 and IFRS 7, IFRS 1 “First-time adoption of International Financial Reporting Standards” and IAS 19 are part of the normal rationalization measures designed to eliminate inconsistencies or provide terminological clarifications.
- Changes to IAS 27 “Separate financial statements” entitled “Equity method in separate financial statements” to permit application of the equity method to investments in subsidiaries, joint ventures and associates in separate financial statements. These changes, which also necessitated adjustments to IFRS 1 and IAS 28 “Investments in associates and joint ventures”, contain references to IFRS 9 “Financial instruments”, which currently cannot be applied since IFRS 9 has not yet been endorsed by the European Union. Consequently, any reference to IFRS 9 must be read as a reference to IAS 39 “Financial instruments: recognition and measurement”.
- Changes to IAS 16 “Property, plant and equipment” and IAS 41 “Agriculture” entitled “Agriculture: bearer plants” with related changes to a number of other standards.
- Amendments to IAS 16 and IAS 38 “Intangible assets” entitled “Clarification of acceptable methods of depreciation and amortization”, in which a method based on revenue is described as inappropriate.
- Amendments to IFRS 11 “Joint arrangements” concerning “Accounting for acquisitions of interests in joint operations”, with new indications regarding accounting treatment.
- Changes to IFRS 10 “Consolidated financial statements” with regard to the application of the consolidation exception for investment entities;
- Changes to IFRS 12 “Disclosure of interests in other entities”.

Application of the above standards, amendments and interpretations did not have a material impact on the Group financial statements.

As a result of the amendments to IAS 1 relating to the income statement, the intermediate result “recurring gross operating profit (loss)” is no longer shown. For comparative purposes, the expense and income items classified in the 2015 financial statements as “non-recurring” have been appropriately reclassified.

Standards and interpretations issued in 2016 to come into force in 2018

- IFRS 9 “Financial instruments”.
- IFRS 15 “Revenue from contracts with customers”.

IFRS 9 is expected to have material effects on the Financial and private equity segment, while IFRS 15 is expected to have material effects on the Industrial and services for industry segment, specifically as regards e-procurement. Projects are underway to determine the effects of these standards on the Group consolidated financial statements.

Standards and interpretations published by the IASB and the IFRIC at December 31, 2016, but not endorsed by the European Union at that date

- IFRS 14 “Regulatory Deferral Accounts”, for which the European Commission has not yet begun the approval process, pending issue of the definitive standard.
- IFRS 16 “Leases”.
- Changes to IFRS 10 “Consolidated financial statements”, IFRS 12 “Disclosure of interests in other entities” and IAS 28 with the title “Investment entities - applying the consolidation exception”.
- Changes to IFRS 10 and IAS 28 with the title “Sale or contribution of assets between an investor and its associate or joint venture”.
- Changes to IFRS 4, “Applying IFRS 9 financial instruments with IFRS 4 Insurance contracts”.
- Changes to IAS 12 “Recognition of deferred tax assets for unrealized losses”.
- Changes to IAS 7 “Disclosure initiative”.
- Changes to IFRS 2 “Classification and measurement of share-based payment transactions”.
- Changes to IAS 40 “Transfer of investment property”.
- Annual improvements cycle to IFRS 2014-2016.
- IFRIC 22 “Foreign currency transactions and advance consideration”.

The above standards or changes to standards are not expected to have material effects on the Group consolidated financial statements; the company has not elected early adoption of IFRS 16 and has yet to begin an assessment of its impact.

Measurement criteria and basis of presentation

The consolidated financial statements adopt the cost principle, with the exception of derivatives and financial assets held for trading or for sale, which are stated at fair value. The carrying amounts of hedged assets and liabilities are adjusted to reflect changes in fair value on the basis of the hedged risks. The consolidated financial statements are presented in euro, the functional currency of the parent Italmobiliare S.p.A.. All amounts in the accounting schedules and in the notes are rounded to thousands of euro, unless otherwise specified.

The basis of presentation of the Group financial statements is as follows:

- current and non-current assets and current and non-current liabilities are presented as separate classifications on the face of the statement of financial position. Current assets, which include cash and cash equivalents, are assets that the Group intends to realize, sell or consume during its normal business cycle; current liabilities are liabilities that the Group expects to settle during the normal business cycle or in the twelve months after the end of the reporting period;
- on the income statement, costs are analyzed by the nature of the expense;
- with regard to comprehensive income, the Group presents two statements: the first statement reflects traditional income statement components and the profit (loss) for the year, while the second statement, beginning with the profit (loss) for the year, presents other comprehensive income, previously reflected only in the statement of changes in consolidated equity: fair value gains/losses on available-for-sale financial assets and derivatives, translation differences;
- on the statement of cash flows, the indirect method is used.

Use of estimates

The preparation of the consolidated financial statements and the notes in conformity with the IFRS requires management to make discretional assessments and estimates that affect the values of assets, liabilities, income and expense, such as amortization and depreciation, and the disclosures on contingent assets and liabilities in the notes. Since these estimates are determined on a going-concern basis, using the information available at the time, they could diverge from the actual future results. This is particularly evident in the present climate of financial and economic uncertainty, which could generate situations diverging from those estimated today and require currently unforeseeable adjustments, including adjustments of a material nature, to the carrying amounts of the items in question.
Assumptions and estimates are particularly sensitive with regard to measurement of non-current assets, which depends on forecasts of future results and cash flows, measurement of contingent liabilities, provisions for disputes and restructurings and commitments in respect of pension plans and other long-term benefits. Management conducts regular reviews of assumptions and estimates, and immediately recognizes any adjustments in the financial statements.
Since the Italmobiliare Group applies IAS 34 “Interim financial reporting” to its interim reports, with consequent identification of a six-month interim period, any impairment losses are recorded at period end.

Basis of consolidation

The consolidated financial statements are based on the financial statements as at and for the year ended December 31, 2016 of the parent Italmobiliare S.p.A. and the consolidated companies, in compliance with the Group accounting policies.

Subsidiaries

Subsidiaries are companies in which the Group is exposed to variable returns, or holds rights to such returns, by virtue of its relationship with the companies in question, and simultaneously has the ability to affect such returns by exercising its power.
The Group ascertains the existence of control on the basis of the existence of three elements:

- power: the current ability of the Group, arising from substantial rights, to determine the key operations of operations that have a material impact on the company’s returns;
- the exposure of the Group to the variability of the returns of the investee;
- correlation between power and returns, the Group has the ability to exercise its power to affect the returns arising from the relationship.

Subsidiaries are consolidated on a line-by-line basis as from the date at which control is obtained and until control is transferred out of the Group.

Associates

Associates are companies in which the Group has significant influence over administrative and management decisions even though it does not hold control. Generally speaking, significant influence is assumed to exist when the Group holds, directly or indirectly, at least 20% of voting rights or, even if it holds a lower percentage of voting rights, when it is entitled to take part in financial and management policy decisions by virtue of a specific juridical status including, but not limited to, participation in shareholders’ agreements or other forms of material exercise of rights of governance. Investments in associates are measured using the equity method, whereby they are recognized initially at cost, and subsequently adjusted to reflect changes in the value of the Group’s interest in the associate’s equity. The Group’s share of an associate’s profit or loss is recognized in a specific income statement line item from the date at which the Group exerts significant influence until it relinquishes such influence.

Joint arrangements

A joint arrangement is a contractual arrangement that attributes joint control of the arrangement to two or more parties.
A joint arrangement may be a "joint operation" or a "joint venture".

Joint operations

A joint operation is a joint arrangement in which a Group company, together with other parties who hold joint control, has rights to the assets and obligations for the liabilities to which the arrangement refers; the parties are called joint operators.
With regard to recognition in the consolidated and separate financial statements, the joint operator recognizes, in relation to its interest, its assets and liabilities, including its share of assets held jointly and liabilities incurred jointly, its revenue and expense relating to its part of the output and its share of the revenue and expense relating to the output obtained jointly.
A party to a joint operation that does not hold joint control recognizes its interest in the arrangement as illustrated in the previous paragraph if it has rights to the assets and obligations for the liabilities relating to the joint operation.

Joint ventures

Joint ventures are companies regarding which the Group has entered into a joint arrangement giving it rights to the net assets of the arrangement.
Joint ventures are accounted for with the equity method, except in cases when there is evidence that the interest has been acquired and is held with the intention of selling it within twelve months of purchase and that the Group is actively seeking a buyer.
Furthermore, if the Group has an interest in a joint venture without holding joint control, since such control is held by other parties, the joint venture is accounted for in accordance with:

- IAS 28, if significant influence is exercised;
- IAS 39, in the case of a simple financial asset.

The statements of financial position and income statements of joint ventures are consolidated from the date on which joint control is assumed and until such control is relinquished.

Transactions eliminated during consolidation

All intragroup balances and transactions, including any unrealized gains in respect of third parties, are eliminated in full. Unrealized losses in respect of third parties deriving from intragroup transactions are eliminated, except in cases where it will not subsequently be possible to recover such losses.
Unrealized gains in respect of third parties deriving from transactions with associates are eliminated against the equity investment carrying amount. Losses are eliminated proportionately to the Group's interest, unless it will not subsequently be possible to recover such losses.

Scope of consolidation

A list of consolidated companies, proportionately consolidated companies and companies consolidated using the equity method is provided in the annex to these notes.

Non-current assets held for sale and discontinued operations

Assets and liabilities held for sale and discontinued operations are classified as such when their carrying amount will be recovered chiefly through sale rather than through continuing use; such operations must be an important autonomous business operation or geographical area of operation.
The conditions indicated are deemed to exist when the sale is considered highly likely and the assets and liabilities are immediately available for sale in their current condition.
Available-for-sale assets are recognized at the lower of carrying amount and fair value less costs to sell.
Once property, plant and equipment, and intangible assets, have been classified as available-for-sale, no further amortization and depreciation may be applied.
In the consolidated income statement, profit (loss) relating to discontinued operations, together with fair value gains (losses) less costs to sell and profit or loss arising from the sale of the operation, are reflected in a single item separately from profit (loss) relating to continuing operations.
Cash flows relating to discontinued operations are shown separately in the statement of cash flows.
A similar disclosure is also presented for the comparative period.

Business combinations

On first-time adoption of the IFRS, as allowed by IFRS 1, the Group elected not to apply IFRS 3 retrospectively to business combinations that took place before January 1, 2004.
Until December 31, 2009, business combinations were accounted for with the purchase method in IFRS 3.
Since January 1, 2010, business combinations have been accounted for using the acquisition method in IFRS 3 revised.

Cost of business combinations

Under IFRS 3 revised, acquisition cost is the sum of the acquisition-date fair value of the contingent consideration and the amount of any non-controlling interests in the acquired entity. For each business combination, any non-controlling interests in the acquired entity must be measured at fair value or in proportion to their interest in the identifiable net assets of the acquired entity.
IFRS 3 revised provides that costs relating to the acquisition be expensed in the periods in which they are incurred and the services are received.

Allocation of the cost of business combinations

Goodwill is measured as the positive difference between:
- the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquired entity, the acquisition-date fair value of the acquirer’s previously held equity interest in the acquired entity, and
- the net amount of identifiable assets acquired and liabilities assumed at the acquisition date.

Negative differences are recognized immediately in profit or loss.
If on initial recognition the acquisition cost of a business combination can only be determined provisionally, the allocated amounts are adjusted within twelve months of the acquisition date (measurement period).

Business combinations achieved in stages

When a business combination is achieved in stages, through a series of share purchases, for each transaction the fair value of the previously held interest is re-determined and any gain or loss is taken to profit or loss.

Purchase of non-controlling interests

Acquisitions of additional shares after acquisition of control do not require re-determination of identifiable asset and liability amounts. The difference between the cost and the acquired equity interest is recognized as equity attributable to owners of the parent. Transactions that reduce the percentage interest held without loss of control are treated as sales to non-controlling interests and the difference between the interest sold and the price paid is recognized in equity attributable to owners of the parent.

Commitments to purchase non-controlling interests

A put option granted to non-controlling interests of a company controlled by the Group is initially recognized by recording the acquisition amount as a liability, since the amount in question is the present value of the put option exercise price.
The complementary acquisition of non-controlling interests with put options is recognized in the financial statements:

- the non-controlling interests to which the put refers are eliminated from equity and reclassified under liabilities and the difference between the fair value of the purchase commitment liabilities and the carrying amount of the non-controlling interests is recognized under equity attributable to owners of the parent;
- subsequent changes in liabilities are recognized under equity attributable to owners of the parent with the exception of adjustments to the present value, which are taken to profit or loss.

Transactions in currencies other than the functional currency

The functional currency of the subsidiaries located outside the Eurozone is usually the local currency.

Transactions in currencies other than the functional currency

Foreign currency transactions are initially translated into the functional currency using the exchange rate at the transaction date. At the reporting date, foreign currency monetary assets and liabilities are translated into the functional currency at the closing rate. Exchange-rate gains and losses are taken to profit or loss.
Non-monetary foreign currency assets and liabilities measured at cost are translated at the exchange rate ruling at the transaction date; those measured at fair value are translated with the exchange rate at the date fair value was determined.

Translation of the financial statements of foreign operations

At the end of the reporting period, the assets, including goodwill, and liabilities of consolidated companies that report in currencies other than the euro are translated into the presentation currency of the Group’s consolidated accounts at the exchange rate ruling at such date. Income statement items are translated at the average rate for the year. Gains and losses arising from the translation of opening equity at the closing rates and those arising from the different method used to translate profit or loss for the year are recognized in a specific equity item. In the event of subsequent disposal of a foreign operation, the cumulative translation differences are taken to profit or loss.
As allowed under IFRS 1, cumulative translation differences at the date of first-time adoption of the IFRS have been reclassified in “Retained earnings” under equity and therefore will not be taken to profit or loss in the event of subsequent disposal.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are recognized at cost, less accumulated depreciation and impairment losses. Cost includes the purchase or production cost and the directly attributable costs of bringing the asset to the location and the conditions required for its operation. Production cost includes the cost of materials and direct labor costs. Finance costs relating to the purchase, construction and production of qualifying assets are capitalized. The carrying amount of some assets existing at the IFRS first-time adoption date of January 1, 2004, reflects revaluations applied in prior periods in connection with specific local laws, based on the real economic value of the assets in question. The revalued amount recognized in accordance with IFRS 1 was assumed as cost at the IFRS transition date.
Assets acquired through business combinations are stated at fair value, determined on a provisional basis at the acquisition date and subsequently adjusted where necessary within the following twelve months.
Subsequent to initial recognition, property, plant and equipment are carried at cost and depreciated over the asset’s useful life, less any impairment losses.
Assets under construction are recognized at cost; depreciation begins when the assets enter useful life.
When an asset consists of components with a significant cost and different useful lives, initial recognition and subsequent measurement are carried out separately for each component.

Subsequent expense

Repair and maintenance expense is normally recognized as incurred. Component replacement costs are treated as separate assets and the carrying amount of the replaced component is eliminated with a balancing entry in profit or loss.

Depreciation

Depreciation is generally calculated on a straight-line basis over the estimated useful life of each component of an asset. Land is not depreciated, with the exception of land used for quarrying operations.
Asset useful life determines the depreciation rate until a subsequent review of residual useful life. The useful life range adopted for the various categories of assets is disclosed in the notes.

Quarries

Costs for the preparation and excavation of land to be quarried are amortized as the economic benefits of such costs are obtained.
Quarry land is depreciated at rates reflecting the quantities extracted in the year in relation to the estimated total to be extracted over the period in which the quarry is to be worked.
The Group makes specific provision for quarry environmental restoration obligations. Since the financial resources required to settle such obligations are directly related to the degree of use, the charge cannot be defined at inception with a balancing entry to the asset cost, but is provided to reflect the degree of use of the quarry.

Leases

Finance leases, which substantially transfer to the Group all risks and rewards incidental to ownership of the leased asset, are recognized from the lease inception date at the lower of the leased asset fair value or the present value of the lease payments. Lease payments are apportioned between finance costs and reductions against the residual liability so as to obtain a constant rate of interest on the outstanding liability.
The policies used for depreciation and subsequent measurement of leased assets are consistent with those used for the Group's own property, plant and equipment.
Leases where all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases.
Operating lease payments are recognized as expense on a straight-line basis over the lease term.

Investment property

Investment property is land and/or buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods and services. Investment property is initially recognized at purchase cost, including costs directly attributable to the purchase. Subsequent to initial recognition, investment property is measured at amortized cost, based on the asset's useful life less any impairment losses.

Goodwill

Goodwill recognized in accordance with IFRS 3 revised is allocated to the cash-generating units that are expected to benefit from the synergies created by the acquisition. Goodwill is stated at the original value less any impairment losses identified through tests conducted on an annual basis or more frequently if indications of impairment emerge.
When goodwill is allocated to a cash-generating unit part of whose assets are disposed of, the goodwill associated with the sold assets is taken into account when determining any gain or loss arising from the transaction.

Intangible assets

Intangible assets acquired separately are capitalized at cost, while those acquired through business combinations are recognized at provisionally estimated fair value at the acquisition date and adjusted where necessary within the following twelve months.
Subsequent to initial recognition, intangible assets are carried at cost amortized over the asset's useful life.
Other than goodwill, the Group has not identified intangible assets with an indefinite useful life.

Impairment

Goodwill is systematically tested for impairment on an annual basis or more frequently if indications of impairment emerge.
Property, plant and equipment and investment property, and amortizable intangible assets, are tested for recoverability if indications of impairment emerge.
Impairment is the difference between the asset carrying amount and its recoverable amount. Recoverable amount is the greater of fair value, less costs to sell, of an asset or cash-generating unit, and its value in use, determined as the present value of future cash flows. Fair value less costs to sell is determined through application of suitable valuation models, adopting appropriate income multipliers, quoted share prices on an active market for similar enterprises, comparable transactions on similar assets or other available fair value indicators applicable to the assets being measured.

In determining value in use, assets are measured at the level of cash-generating units, on the basis of their operating attribution. Estimated future cash flows are discounted at a rate determined for each cash-generating unit using the weighted average cost of capital method (WACC).
If an impairment loss on an asset other than goodwill subsequently reverses in full or in part, the asset carrying amount is increased to reflect the new estimated recoverable amount, which may not exceed the amount that would have been reflected in the absence of the impairment loss. Impairment losses and reversals of impairment losses are taken to profit or loss.
Impairment losses on goodwill may not be reversed.

Financial assets

All financial assets are recognized initially at cost at the trade date. Cost corresponds to fair value plus additional costs attributable to the purchase with the exception of financial assets held for trading (fair value through profit or loss).
Subsequent to initial recognition, assets held for trading are classified as current financial assets and carried at fair value; any gains or losses are taken to profit or loss.
Held-to-maturity investments are classified as current financial assets, if they mature within one year; otherwise they are classified as non-current assets and subsequently carried at amortized cost. Amortized cost is determined using the effective interest rate method, taking account of any acquisition discounts or premiums, which are apportioned over the entire period until maturity, less any impairment losses.
Other financial assets are classified as available for sale, under current and non-current assets, and recognized at fair value. Any gains or losses are shown in a separate equity item until the assets are sold, recovered or discontinued, or until they are found to be impaired, in which case the cumulative gains or losses in equity are taken to profit or loss. Impairment losses are recognized when there is objective evidence that one or more events subsequent to initial recognition of an asset have had a negative effect on the estimated future cash flows of that asset. Objective evidence of impairment of a financial asset includes debtor insolvency or default, indications of debtor or issuer bankruptcy, adverse changes in the payment status of debtors or issuers, business conditions linked to default or disappearance of an active market for the asset. In addition, for equity instruments classified as available-for-sale, a material and prolonged reduction in fair value to below cost is considered objective evidence of impairment. On this question, the Group has adopted a specific accounting policy, which establishes materiality and duration thresholds for loss of market value with respect to the carrying amounts; once such thresholds have been reached, the impairment loss is taken to profit or loss. The two thresholds are considered separately and only one threshold needs to be reached for an impairment loss to be recognized:

- loss of market value of more than 60% for bank stocks (35% for non-bank stocks) of the original cost at the reporting date;
- a market value seen to be continually lower than original cost over a period of three years for bank stocks (two years for non-bank stocks).

With regard to assets on which impairment losses were recognized in previous periods, additional losses of value are automatically recognized as impairment losses.
Subsequent reversals of impairment losses on available-for-sale assets recognized in profit or loss are not taken to profit or loss but to equity, even in cases where the reasons that caused the loss no longer exist.
Only equity instruments that are not listed on an active market and whose fair value cannot be measured reliably are carried at cost.

Inventories

Inventories are measured at the lower of purchase/production cost (using the weighted average cost method) and net realizable value.
Purchase cost includes costs incurred to bring assets to the warehouse, less allowances for write-down of obsolete and slow-moving items.
Production cost of finished goods and semi-finished goods includes the cost of raw materials, direct labor and a portion of general production costs, determined on the basis of normal plant operations. Financial costs are not included.
The net realizable value of raw materials, consumables and supplies is their replacement cost.
The net realizable value of finished goods and semi-finished goods is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs to sell.

Trade receivables and other non-current assets

Trade receivables and other receivables are initially recognized at fair value plus transaction costs, and subsequently measured at amortized cost less allowances for impairment, which are provided for as soon as bad debts are identified.
Allowances for impairment of trade receivables are determined in accordance with Group procedures. The calculation takes account of bank guarantees and collateral provided. At the end of the reporting period, the Group companies conduct a customer-by-customer analysis of doubtful (overdue) receivables and adjust the carrying amount of (overdue) receivables that present risks accordingly.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank demand deposits and other treasury investments with original maturity of not more than three months. Current account overdrafts are treated as a source of financing and not as cash and cash equivalents.
The definition of cash and cash equivalents in the statement of cash flows is identical to that in the statement of financial position.

Derecognition of financial assets

The Group derecognizes financial assets in whole or in part when:
- the contractual rights attributable to the assets in question have expired;
- it transfers the risks and rewards incidental to ownership of the asset or does not transfer and does not even substantially maintain all the risks and rewards but transfers control of the assets.

Employee benefits

The Group operates pension plans and post-employment benefits. It also has other commitments, in the form of bonuses payable to employees on the basis of length of service in some Group companies ("Other long-term benefits").

Defined contribution plans

Defined contribution plans are structured post-employment benefit programs where the Group pays fixed contributions to an insurance company or pension fund and will have no legal or constructive obligation to pay further contributions if the fund does not dispose of sufficient assets to pay all the employee benefits accruing in respect of services rendered during the current year and in previous years.
These contributions are paid in exchange for the services rendered by employees and recognized as an expense as incurred.

Defined benefit plans

Defined benefit plans are structured post-employment benefit programs that constitute a future obligation for the Group. In substance, the company assumes the actuarial and investment risks of the plan. In accordance with IAS 19, the Group uses the unit credit projection method to determine the present value of obligations and the related current service cost.
These actuarial calculations require use of consistent and objective actuarial assumptions about demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increases in salaries and medical benefits).
When a defined benefit plan is funded in full or in part by contributions paid to a fund that is a separate legal entity or to an insurance company, the plan assets are estimated at fair value.
Benefit obligations are therefore recognized net of the fair value of the plan assets that will be used to settle the obligations.

Employment termination plans

Employment termination plans include provisions for restructuring costs recognized when the Group company in question has approved a detailed formal plan that has already been implemented or notified to the third parties concerned.

Actuarial gains and losses

Actuarial gains and losses on post-employment defined benefit plans may arise as a result of changes in the actuarial assumptions used in two consecutive years or as a result of changes in the obligation value or in the fair value of any plan asset in respect of the actuarial assumptions used at the beginning of the year.
Actuarial gains and losses are recognized immediately under other comprehensive income (expense).
Actuarial gains and losses relating to “Other long-term benefits” (service medals, length of service benefits) and to early retirement benefits are recognized in profit or loss immediately.

Past service cost

Changes in liabilities resulting from a change to an existing defined benefit plan are recognized in profit or loss for the year, as are costs that vest immediately upon changes to a plan.

Curtailment and settlement

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized as profit or loss when the curtailment or settlement occurs. The gain or loss includes changes in the present value of the obligation, changes in the fair value of plan assets, actuarial gains or losses and past service costs not previously accounted for.
At the curtailment or settlement date, the obligation and the fair value of the plan assets are re-measured using current actuarial assumptions.

Net finance cost

Net finance cost on defined benefit plans consists of the following measurements:
- finance costs computed on the present value of the defined benefit plan liability;
- finance income arising from measurement of the plan assets;
- finance costs or income arising from any limits on recognition of plan surpluses.

Net finance cost is determined by applying to all the above items the discount rate adopted at the beginning of the year to measure the defined benefit plan obligation.
Net finance costs on defined benefit plans are recognized under finance income/(cost) on the income statement.

Share-based payments

The Group has applied IFRS 2 as from January 1, 2004.
Options for the subscription and purchase of shares granted by Group companies to employees and directors give rise to recognition of a cost classified under personnel expenses, with a corresponding increase in equity.
In accordance with IFRS 2, only options granted after November 7, 2002, whose rights had not vested at December 31, 2003, have been measured and recognized at the transition date. Options for the subscription and purchase of shares are measured at fair value at the grant date and amortized over the vesting period. Fair value at the grant date is determined using the binomial method, and taking account of dividends. Future volatility is determined on the basis of historic market prices, after adjustment for non-recurring events or factors.
The cost of granted options is reviewed on the basis of the actual number of options that have vested at the beginning of the exercise period.

Provisions for risks and charges

The Group recognizes provisions for risks and charges when a present or constructive obligation arises as a result of a past event, the amount of which can be reliably estimated, and use of resources is probable to settle the obligation. Provisions reflect the best estimate of the amount required to settle the obligation or transfer it to third parties at the reporting date. If the present value of the financial resources that will be used is material, provisions are determined by discounting expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is performed, movements in provisions due to the effect of time or changes in interest rates are recognized in financial items.
Changes in estimates are recognized in profit or loss for the year in which the change occurs.
The Group recognizes a separate provision for environmental restoration obligations on land used for quarry work, determined in relation to the use of the quarry in question.
Pending publication of a standard/interpretation on accounting treatment of greenhouse gas emission allowances, after the withdrawal of IFRIC 3 by the International Accounting Standards Board, the Group recognizes a separate provision when emissions are greater than the allowance.
Restructuring costs are provided when the Group company concerned has approved a detailed formal plan that has already been implemented or notified to the relevant third parties.

Loans and borrowings

Loans and borrowings are initially recognized at the fair value of the consideration paid/received less charges directly attributable to the financial asset/liability.
After initial recognition, loans and borrowings are measured at amortized cost using the effective interest-rate method.

Trade payables and other payables

Trade payables and other payables are stated initially at the fair value of the original consideration received and subsequently measured at amortized cost.

Revenue, other revenue, interest income and dividends

Sale of goods and services

Revenue is recognized to the extent that it is probable that the economic benefits associated with the sale of goods or rendering of services are collected by the Group and the amount in question can be reliably determined.
Revenue is recognized at the fair value of the consideration received or due, taking account of any trade discounts given and volume discounts.
Revenue from the sale of goods is recognized when the company transfers the material risks and rewards incidental to ownership of the goods to the purchaser.
Revenue includes dividends received, and interest and commission income earned by the finance and banking companies.

Rental income

Rental income is recognized as other revenue, as received, at constant amounts over the rental period.

Costs

Costs are recognized on an accruals basis in accordance with the cost and revenue matching principle, whereby they are matched with revenue.

Interest income

Interest income earned by companies that are not financial or banking companies is recognized as finance income on an accruals basis using the effective interest method.

Dividends

Dividends are recognized as shareholders' right to receive payment arises, in accordance with local laws, and are classified under “Finance income and costs”, with the exception of dividends earned by banking and finance companies, which are classified under “Revenue”.

Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and all the requirements on which receipt depends have been fulfilled.
Grants related to the purchase or production of non-current assets (grants related to assets) are recognized as deferred income and taken to profit or loss over the useful life of the underlying assets.

Derivatives

The Group uses derivatives such as options and futures to manage market risks.
Derivatives are measured and recognized at fair value.
Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.
The fair value of foreign-currency forward contracts is determined on the basis of the current forward exchange rates for contracts with similar maturity profiles.
The fair value of derivatives is determined using the swap curve weighted to take account of the counterparty credit risk.
The fair value of interest-rate contracts is determined on the basis of discounted flows using the zero coupon curve.
Derivatives, with the exception of those that qualify for hedge accounting, are classified under current assets and fair value gains and losses are taken directly to profit or loss.

Hedging transactions

In accordance with IAS 39, derivatives may be designated as hedging instruments when:

- the hedging relationship is formally designated and documented at inception;
- the hedging relationship is expected to be highly effective;
- effectiveness can be reliably measured;
- the hedging relationship can pass effectiveness tests in all the accounting periods in which it is in operation.

For accounting purposes, hedges are classified as “fair value hedges”, as “cash flow hedges” or as “hedges of investments in foreign operations”.

<u>Fair value hedges</u> hedge Group exposure to fair value changes on a recognized asset or liability or an unrecognized firm commitment, or on an identified portion of such an asset, liability or firm commitment, subject to a particular risk that could affect profit or loss.
The carrying amount of the hedged item is adjusted for the gains or losses attributable to the hedged risk, the hedging instrument is re-measured at fair value, and any gains and losses on the derivative and on the underlying item are taken to profit or loss.
For hedged items measured at amortized cost, the carrying adjustment is amortized through profit or loss over the residual term to maturity. Any adjustment to the carrying amount of a hedged financial instrument, for which the effective interest method is used, is amortized through profit or loss. Amortization may begin as soon as an adjustment arises but no later than when the hedged item ceases to be adjusted for fair value changes attributable to the hedged risk.
When an unrecognized commitment is designated as a hedged item, the subsequent cumulative fair value change attributable to the hedged risk is recognized as an asset or liability, with a corresponding gain or loss in profit or loss. Fair value changes of a hedged instrument are also taken to profit or loss.
The Group discontinues fair value hedge accounting if the derivative expires, is sold, is settled or exercised, if the hedge no longer qualifies for hedge accounting or if the Group revokes designation.

<u>Cash flow hedges</u> are hedges of exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or with a highly probable forecast transaction that could affect profit or loss. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized under comprehensive income (expense), while the non-effective component is recognized in profit or loss.
Amounts deferred in equity are transferred to profit or loss when the hedged transaction affects profit or loss. When the hedged item is the cost of a non-financial asset or liability, the amounts recognized in equity are transferred to the initial carrying amount of the non-financial asset or liability.
If the forecast transaction is no longer highly probable, the amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires, is sold, settled or exercised without replacement, or if the hedge designation is revoked, the amounts previously recognized in equity are retained in equity until the forecast

transaction takes place. If the highly probable forecast transaction will no longer take place, the amounts in question are taken to profit or loss.

Hedges of net investments in foreign operations, including hedges of a monetary item accounted for as a part of a net investment, are treated in the same way as cash flow hedges. The effective component of the gain or loss on the hedging instrument is recognized in equity, while the non-effective component is recognized in profit or loss. On disposal of the foreign operation, the cumulative gain or loss recognized in equity is taken to profit or loss.

Income taxes

Current income taxes are provided in accordance with local tax laws in the countries where the Group operates.
Deferred tax is recognized on the basis of temporary differences between the tax base of assets and liabilities and their carrying amount in the statement of financial position.
Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax assets to the extent that it is probable that future taxable income will be available against which such differences, losses or credits may be reversed.
Taxable or deductible temporary differences do not generate recognition of deferred tax liabilities or assets only in the following cases:

- taxable temporary differences arising from the initial recognition of goodwill, except when such goodwill is tax deductible;
- taxable or deductible temporary differences arising from initial recognition of an asset or a liability in transactions that are not business combinations and affect neither accounting profit nor taxable profit at the transaction date;
- equity investments in subsidiaries, associates and joint ventures when:
  - the Group is able to control the timing of the reversal of the taxable temporary differences and it is probable that such differences will not reverse in the foreseeable future;
  - it is not probable that the deductible temporary differences will reverse in the foreseeable future and that taxable income will be available against which the temporary difference can be reversed.
- deferred tax assets are reviewed at each reporting date and reduced to the extent that sufficient taxable income is no longer likely to be available in the future against which the assets can be used in full or in part.

Deferred tax assets and liabilities are determined at tax rates expected to apply when the deferred tax asset (liability) is realized (settled), based on rates that have been enacted or substantially enacted at the reporting date.
Taxes relating to items recognized directly in equity are recognized in equity, not in profit or loss.
Deferred tax assets and deferred tax liabilities are not discounted to present value.

Management of capital

The Group monitors capital using the gearing ratio (net financial position / equity). The net financial position reflects financial liabilities less cash and cash equivalents and other financial assets. Equity consists of all the items indicated on the statement of financial position.
The primary objective of Group capital management is to guarantee a solid credit rating and to maintain financial indicators at appropriate levels to ensure smooth running of business operations, funding of planned investments and creation of maximum shareholder value.
The Group manages and amends the capital structure to take account of changes in economic and financial conditions, in relation to its international presence and growth plans. To maintain or modify its capital structure, the Group may adjust dividends paid to shareholders, reimburse capital, issue new shares, raise or reduce equity investments in subsidiaries, and purchase/sell equity investments.

Exchange rates used to translate the financial statements of foreign operations

Exchange rates for 1 euro:

Currencies	Average rate		Closing rate	
	2016	2015	December 30, 2016	December 31, 2015
Czech crown	27.03429	27.27918	27.02100	27.02300
Serbian dinar	123.10618	120.68668	123.40300	121.45100
UAE dirham	4.06344	4.07334	3.86960	3.99662
Moroccan dirham	10.84996	10.81397	10.65690	10.78810
Australian dollar	1.48828	1.47766	1.45960	1.48970
US dollar	1.10664	1.10951	1.05410	1.08870
Hungarian florin	311.43790	309.99563	309.83000	315.98000
Swiss franc	1.09016	1.06786	1.07390	1.08350
Ukrainian hryvnia	28.28492	24.28141	28.73860	26.15870
Croatian kuna	7.53329	7.61370	7.55970	7.63800
Moldavian leu	22.05249	20.87194	21.06240	21.40220
Bulgarian lev	1.95583	1.95583	1.95583	1.95583
Egyptian pound	11.07061	8.55177	19.21050	8.52049
Bosnian mark	1.95583	1.95583	1.95583	1.95583
New Turkish lira	3.34325	3.02546	3.70720	3.17650
New Romanian leu	4.49043	4.44541	4.53900	4.52400
Mexican peso	20.66731	17.61573	21.77190	18.91450
Brazilian real	3.85614	3.70044	3.43050	3.43050
Chinese renminbi	7.35222	6.97333	7.32020	7.06080
Pound sterling	0.81948	0.72585	0.85618	0.73395
Polish zloty	4.36321	4.18412	4.41030	4.26390

The exchange rates used to translate the financial statements of foreign operations are those published by the Bank of Italy.

Significant events and changes in the scope of consolidation

As disclosed in the 2016 interim report, as a consequence of the agreement signed with HeidelbergCement on July 28, 2015, at December 31, 2015 and for the first six months of 2016, the Italcementi group was accounted for in accordance with IFRS 5 “Non-current assets held for sale and discontinued operations”.

This method has had material impacts, in particular on the presentation of the consolidated financial statements as at and for the year ended December 31, 2015, and on the 2016 income statement, since the assets and liabilities classified as held for sale and subject to application of IFRS 5 are no longer consolidated on a line-by-line basis; instead:

- the consolidated statement of financial position presents separate specific line items for the assets and, respectively, the liabilities included in the “discontinued group” classified as held for sale;
- on the consolidated income statement, the overall profit (loss) for the year attributable to the “discontinued group” classified as held for sale is presented under a specific line item (“Profit (loss) relating to discontinued operations, net of tax effects”) separately from the profit (loss) relating to continuing operations;
- on the statement of cash flows, cash flow from (used in) operating activities relating to discontinued operations, cash flow used in investing activities relating to sold and discontinued operations and cash flow from (used in) financing activities relating to discontinued operations are shown separately from cash flows relating to continuing operations.

IFRS 5 also envisages specific measurement criteria for profit or loss and the assets and liabilities in the “discontinued group” and a specific disclosure.
With regard to the measurement criteria for the “discontinued group” classified as held for sale, as required by IFRS 5, at December 31, 2015 and at June 30, 2016 the entire “discontinued group” was recognized at the lower of carrying amount and fair value less costs to sell.
In this specific case, fair value less costs to sell was determined with reference to the sale price for the entire Italcementi equity investment to HeidelbergCement, adjusted to take account of the acquisition of the non-core assets that remained in the Group (BravoSolution group and Italgen group) and the amount of the costs to sell.
Application of IFRS 5 also extended to the goodwill of 34.3 million euro relating to Italcementi recognized in the Italmobiliare consolidated financial statements at December 31, 2015, which was included in the overall carrying amount of the “discontinued group” deconsolidated on July 1, 2016. At December 31, 2016 the income statement caption “Profit (loss) relating to discontinued operations, net of tax effects” therefore reflected the result of the Italcementi group for six months and the gain on the sale, considering the difference between the sale price and equity adjusted as described above.
The application of IFRS 5 also involved the re-statement of the results of operations and equity of the discontinued Italcementi group at December 31, 2015 and at June 30, 2016 in connection with the suspension as from October 1, 2015 of amortization and depreciation and of impairment losses on the non-current assets in the discontinued group net of the tax effect.
This generated a positive change in Italcementi results of operations and equity in the first half for an overall amount of 334.9 million euro (of which 308.4 million euro attributable to owners of the parent and 26.5 million euro to non-controlling interests).
The elements of Italcementi group comprehensive expense, for an amount of -47,560 thousand euro, were also reclassified to profit or loss, together with the result of operations of the discontinued group and the gain from the sale, under “Profit (loss) relating to discontinued operations, net of tax effects”.

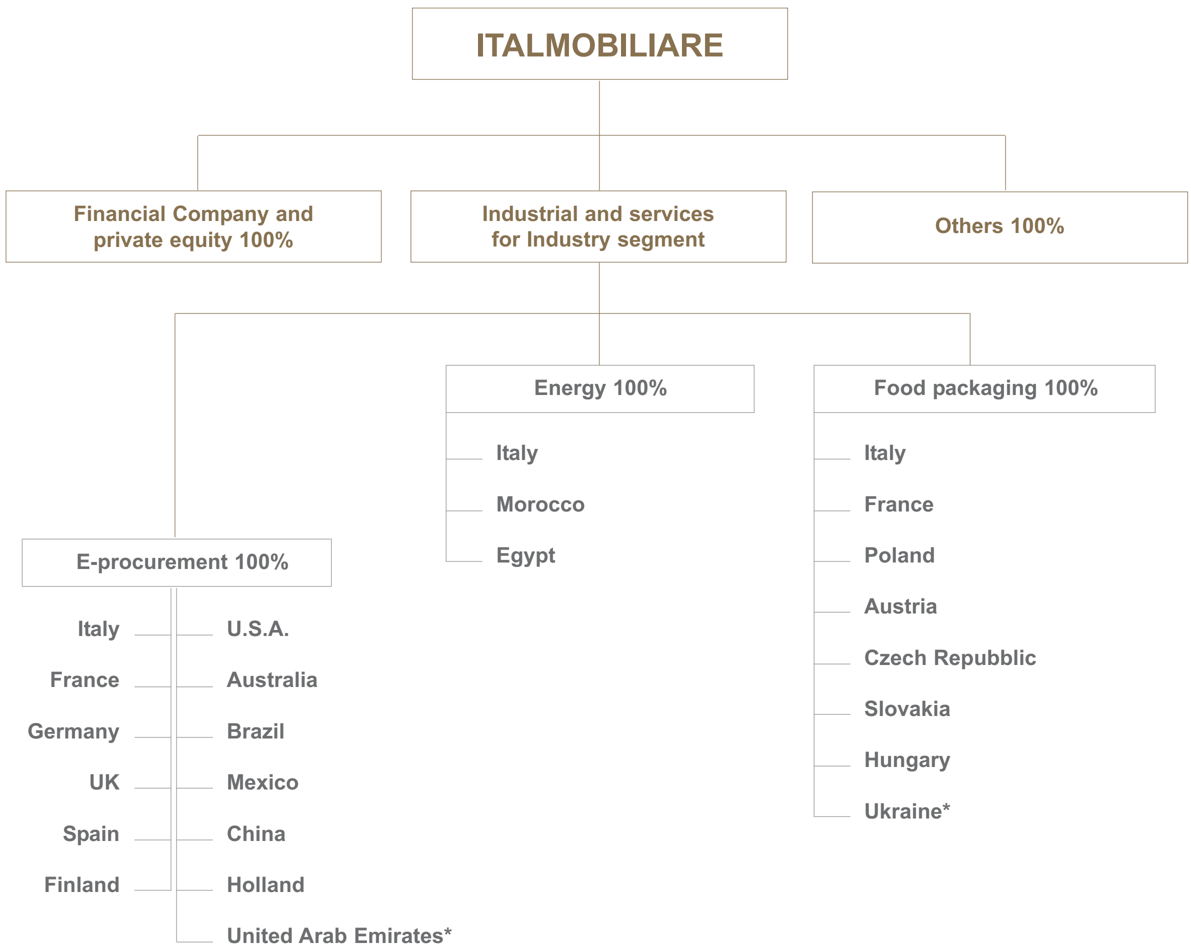
Changes in the scope of consolidation

The main changes with respect to December 31, 2015 are as follows:

- the acquisition of the Technical Service Associates Inc. company (USA), consolidated on a line-by-line basis, as part of the BravoSolution e-business group;
- the acquisition of 100% of Rosa Plast Due S.r.l. (Italy) active in food packaging;
- the acquisition of 99% of Clessidra SGR S.p.A. (Italy) active in the private equity sector;
- the closing of the sale of the equity investment in Italcementi S.p.A. (Italy) and in its subsidiaries in the construction materials sector.

Subsidiaries with non-controlling interests

The chart below illustrates the structure of the Italmobiliare group:



* countries with non-controlling interests

In the BravoSolution group there are material non-controlling interests in the United Arab Emirates in a 51% held investee.
The table below sets out the key figures of this company with material non-controlling interests:

	TejariSolution FZ LLC	
(in millions of euro)	**2016**	**2015**
Revenue	10.6	10.5
Profit for the year	3.5	4.7
Profit attributable to non-controlling interests of the BravoSolution group	1.7	2.3
Profit attributable to non-controlling interests of the Italmobiliare group	2.0	2.7
Total comprehensive income	3.9	4.8
Total comprehensive income attributable to non-controlling interests of the BravoSolution group	1.9	2.4
Total comprehensive income attributable to non-controlling interests of the Italmobiliare group	**2.3**	**2.8**
Non-current assets	1.2	1.3
Current assets	1.1	9.9
Non-current liabilities		(0.3)
Current liabilities	(6.9)	(5.6)
Net assets (liabilities)	(4.6)	5.3
Net assets (liabilities) attributable to non-controlling interests of the Italcementi group	(2.3)	2.6
Net assets (liabilities) attributable to non-controlling interests of the Italmobiliare group	**(2.7)**	**3.1**
Dividends paid	2.8	2.8
Dividends paid to non-controlling interests of the BravoSolution group	1.4	1.4
Dividends paid to non-controlling interests of the Italmobiliare group	**1.4**	**1.4**

Operating segment disclosure

The businesses in which the Group operates that constitute its reportable segments as required by IFRS 8 are: Industrial and services for industry segment, Financial and private equity segment and Other activities segment.

The Group management and organizational structure reflects the segment reporting format by segment described above. Identification of the operating segments is based on the elements used by Group senior management to take decisions regarding allocation of resources and evaluation of results.
After the sale of the Italcementi group, the identification of the segments was reviewed as described in the foreword to the “directors' report”; the comparative figures for 2015 were re-determined accordingly.

Operating segment disclosure

The table below sets out segment revenue and income and performance for 2016:

(in thousands of euro)	Revenue and income	Intragroup sales	Contribu-tion revenue	Gross operating profit (loss)	Operating profit (loss)	Finance income (costs)	Impairment losses on financial assets	Share of profit (loss) of equity-accounted investees	Profit (loss) before tax	Income tax expense
Industrial and services for industry segment	341,242	(28)	341,214	33,785	14,267			4		
Financial and private equity segment	872,208	(765,383)	106,825	791,329	790,879		(27,239)	(513)		
Other activities	3,435	(446)	2,989	(382)	(460)					
Unallocated items and adjustments	(765,857)	765,857		(766,981)	(767,240)	(5,567)	1,007		5,138	(18,555)
Total	**451,028**		**451,028**	**57,751**	**37,446**	**(5,567)**	**(26,232)**	**(509)**	**5,138**	**(18,555)**

The table below sets out segment revenue and income and performance for 2015:

(in thousands of euro)	Revenue and income	Intragroup sales	Contribu-tion revenue	Recurring gross operating profit (loss)	Operating profit (loss)	Finance income (costs)	Impairment losses on financial assets	Share of profit (loss) of equity-accounted investees	Profit (loss) before tax	Income tax expense
Industrial and services for industry segment	372,177	1	372,178	14,551	(2,113)			(361)		
Financial and private equity segment	95,169	(67,182)	27,987	49,715	49,466		(457)			
Other activities	1,821	(17)	1,804	237	170			(1,229)		
Unallocated items and adjustments	(67,198)	67,198		(66,490)	(66,489)	(914)			(21,927)	(4,218)
Total	**401,969**		**401,969**	**(1,987)**	**(18,966)**	**(914)**	**(457)**	**(1,590)**	**(21,927)**	**(4,218)**

The table below sets out other segment data at December 31, 2016:

(in thousands of euro)	December 31, 2016 Total assets	Total liabilities	December 31, 2016 PPE, inv. prop. and intangibles	Non-current financial assets	Amortization and depreciation	Impairment losses on non-current assets
Industrial and services for industry segment	378,539	297,428	26,907	6,884	(19,555)	(326)
Financial and private equity segment	1,515,380	134,196	15,731	250,949	(356)	
Other activities	19,569	9,353	41		(78)	
Inter-segment eliminations	(153,688)	(15,344)				
Total	**1,759,800**	**425,633**	**42,679**	**257,833**	**(19,989)**	**(326)**
From assets held for sale						
Total	**1,759,800**	**425,633**	**42,679**	**257,833**	**(19,989)**	**(326)**

The table below sets out other segment data at December 31, 2015:

(in thousands of euro)	December 31, 2015 Total assets	Total liabilities	December 31, 2015 PPE, inv. prop. and intangibles	Non-current financial assets	Amortization and depreciation	Impairment losses on non-current assets
Industrial and services for industry segment	333,333	284,492	23,337	435	(19,436)	2,770
Financial and private equity segment	1,303,807	191,186	97	9,172	(249)	
Other activities	15,850	8,458	376		(66)	
Inter-segment eliminations	(726,555)	(21,255)			2	
Total	**926,435**	**462,881**	**23,810**	**9,607**	**(19,749)**	**2,770**
From assets held for sale	8,598,004	4,732,083				
Total	**9,524,439**	**5,194,964**				

Assets

Non-current assets

1) Property, plant and equipment

(in thousands of euro)	Land and buildings	Technical plant, materials and equipment	Other property, plant and equipment	Total
Gross amount	81,337	198,720	52,307	332,364
Accumulated depreciation	(30,584)	(138,988)	(31,554)	(201,126)
Carrying amount at December 31, 2015	**50,753**	**59,732**	**20,753**	**131,238**
Additions	1,955	8,490	5,471	15,916
Change in scope of consolidation, reclassifications, other	2,408	5,629	(1,409)	6,628
Disposals	(1,600)	(690)	(208)	(2,498)
Depreciation	(1,701)	(9,677)	(1,228)	(12,606)
Impairment losses		(356)		(356)
Reversal of impairment losses		40		40
Translation differences	(152)	(114)	(5,664)	(5,930)
Carrying amount at December 31, 2016	**51,663**	**63,054**	**17,715**	**132,432**
Gross amount	80,521	211,274	50,070	341,865
Accumulated depreciation	(28,858)	(148,220)	(32,355)	(209,433)
Carrying amount at December 31, 2016	**51,663**	**63,054**	**17,715**	**132,432**

Non-current assets held under finance leases and rental contracts were carried at 2,333 thousand euro at December 31, 2016 (747 thousand euro at December 31, 2015). They consisted of buildings for 709 thousand euro and plant for 1,624 thousand euro.

“Other property, plant and equipment” includes assets under construction for 14,214 thousand euro, of which 4,597 thousand euro in Italy.

The useful lives adopted by the Group for the main asset categories are as follows:

Civil and industrial buildings	10 – 33 years
Plant and machinery	5 – 30 years
Other property, plant and equipment	3 – 10 years

The range between the above minimum and maximum limits indicates the presence of components with separate useful lives within each asset category.

2) Investment property

(in thousands of euro)	
Gross amount	10,603
Accumulated depreciation	(4,093)
Carrying amount at December 31, 2015	**6,510**
Additions	715
Disposals	(603)
Depreciation and impairment losses	(242)
Reclassifications and other changes	93
Carrying amount at December 31, 2016	**6,473**
Gross amount	7,561
Accumulated depreciation	(1,088)
Carrying amount at December 31, 2016	**6,473**

Investment property is carried at amortized cost.
Fair value of investment property at December 31, 2016 was 24,896 thousand euro (10,348 thousand euro at December 31, 2015).

3) Goodwill

(in thousands of euro)	
Carrying amount at December 31, 2015	**24,423**
Additions	2,499
Translation differences and other changes	202
Change in scope of consolidation	2,994
Carrying amount at December 31, 2016	**30,118**

The change in goodwill arose from the acquisition of the equity investments in Technical Service Associates Inc. and in Clessidra SGR S.p.A. and from the translation differences generated by the appreciation of some currencies against the euro.

Goodwill impairment testing

Goodwill acquired in a business combination is allocated to the cash-generating units (CGUs). The Group tests goodwill recoverability at least once a year or more frequently if indications of impairment emerge. The method used to determine the recoverable amount of goodwill is described in the section “Basis of consolidation” under the heading “Impairment”.

The following table sets out goodwill:

(in thousands of euro)	Carrying amount of goodwill	
Cash-generating units	**December 31, 2016**	**December 31, 2015**
Private equity	2,994	
E-procurement	16,816	14,115
Food packaging	10,308	10,308
Total	**30,118**	**24,423**

Private equity

With reference to Private equity, goodwill was attributed to the subsidiary Clessidra SGR S.p.A.; an impairment test was carried out in accordance with IAS 36, to determine recoverable amount (equity value) on the basis of the estimated present value of future cash flows.
Recoverable amount was estimated by an independent expert using the value in use configuration, based on the five-year plan provided by the company; it represents the best estimate of Clessidra SGR S.p.A.’s management.
Recoverable amount was determined using the asset-side approach, which decreases the core equity value by net financial debt and employee provisions and increases it by the balance on other non-operating assets and liabilities (net surplus assets). The calculation applied a WACC of 10.69% and an inflation rate of 1.2%. The test did not generate any impairment losses.

E-procurement

For E-procurement, whose scope coincides with the BravoSolution group, the individual goodwill amounts are allocated to five CGUs corresponding to the respective legal entities: annual impairment testing to verify goodwill recoverability was based on the carrying amounts and cash flows relating to the CGUs in question.

(in thousands of euro)	Carrying amount of goodwill		
Cash-generating units	**December 31, 2016**	**December 31, 2015**	**Change**
BravoSolution S.p.A.	3,966	3,966	
BravoSolution US, Inc	9,276	6,587	2,689
BravoSolution France S.a.s.	2,989	2,989	
BravoSolution Benelux B.V.	42	42	
BravoSolution Mexico S.r.l. de C.V.	194	193	1
TejariSolution FZ	349	338	11
Total	**16,816**	**14,115**	**2,701**

The tests did not find any impairment losses on goodwill at December 31, 2016.

The methods used to determine recoverable amount were based on the following assumptions:

in %	Discount rate before tax		Growth rate	
Cash-generating units	**2016**	**2015**	**2016**	**2015**
BravoSolution S.p.A.	8.3	6.4	1.2	1.6
BravoSolution US	9.9	6.7	2.3	1.5
BravoSolution France	7.2	n.a.	1.5	n.a.
BravoSolution Benelux	6.9	n.a.	1.3	n.a.
BravoSolution Espana	7.9	7.9	1.5	1.5
BravoSolution Mexico	16.2	10.8	3.0	1.5
BravoSolution Gmbh	6.6	6.4	2.0	2.0
BravoSolution China Co	10.2	11.5	2.0	1.5
BravoSolution APAC Pty	9.3	9.1	2.5	2.0
TejariSolution FZ	13.3	n.a.	3.6	n.a.

For all the CGUs with allocated goodwill, recoverable amount was estimated by an independent expert using the value in use configuration, based on analytical future cash flow projections taken from 2017 budget data and from financial position and profit or loss projections for the period 2017-2021. These analytical projections for each CGU are the best estimates of BravoSolution S.p.A.'s management consistently with current strategic action and trends and the assumptions underlying the 2017 budget.

With reference to the current and forecast industry situation and to the results of the impairment tests for the year under review, a sensitivity analysis was conducted on recoverable amount, using the discounted cash flow method. At December 31, 2016, a 1% increase in WACC would not determine a surplus in the carrying amount with respect to the recoverable amount of any of the CGUs identified. Furthermore, any worsening of the conditions with respect to those used for the impairment tests would not determine a surplus in the carrying amount with respect to the recoverable amount of any of the CGUs identified. The discount rates that would equate the CGUs' recoverable amount with their carrying amount are immaterial under normal operating conditions.

Food packaging

In the food packaging segment, whose scope coincides with the Sirap Gema group, impairment testing verified whether the recoverable amount of each Sirap Gema S.p.A. CGU with allocated goodwill was higher than the respective carrying amount. The test assumed the same level of analytical detail for the CGUs as that adopted by the Sirap Gema group to test goodwill for impairment for its own financial statements.

With regard to the first-level impairment test, goodwill is allocated to the individual Sirap Gema group CGUs were as follows:

(in thousands of euro)	Carrying amount of goodwill	
Cash-generating units	**December 31, 2016**	**December 31, 2015**
Petruzalek group CGU	1,589	1,589
Rigid division CGU	8,719	8,719
Total	**10,308**	**10,308**

For all the CGUs with allocated goodwill, recoverable amount was estimated by an independent expert using the value in use configuration, based on analytical future cash flow projections taken from 2017 budget data and from the statement of financial position and profit or loss projections for the period 2017-2021. These analytical projections for each CGU are the best estimates of Sirap Gema S.p.A.'s management consistently with current strategic actions and trends and the assumptions underlying the 2017 budget.

The Rigid division CGU, to which approximately 85% of the overall goodwill of the Sirap Gema group had been allocated before the impairment test at December 31, 2016, consists of two lower-level CGUs: the Sirap Gema S.p.A. unit active in rigid containers (Rigid Division Italy CGU) and the Inline Poland CGU (Rigid Poland CGU). The value in use of the net operating assets of the Inline Poland CGU was estimated using cash flow projections, the discount rate and the nominal growth rate in the terminal value expressed in local currency (zloty); the resulting value in use was then translated into euro at the exchange rate at December 31, 2016.

The table below sets out the discount rates (post-tax weighted average cost of capital) and the nominal growth rate used in the terminal value employed to determine value in use of each CGU (data relating to the Inline Poland CGU refers to cash flows in local currency):

in %	Discount rate after tax		Growth rate on terminal value	
Cash-generating units	**2016**	**2015**	**2016**	**2015**
Petruzalek group CGU	9.5	10.7	2.3	1.0
Rigid Division Italy CGU	7.7	6.7	0.8	0.0
Rigid Poland CGU	9.1	7.5	2.5	0.0

The test did not generate any impairment losses on goodwill.

With reference to the current and forecast industry situation and to the results of the impairment tests for 2015, a sensitivity analysis was conducted on recoverable amount, using the discounted cash flow method.
In the packaging business, at December 31, 2016, a 0.5% increase in WACC, with the same growth rate, in the Rigid division CGU, would determine a decrease of 2.0 million euro in the incremental value of the CGU without generating an impairment loss.

Market capitalization

During the year, Italmobiliare S.p.A. recorded a decrease in market capitalization with respect to December 31, 2015, largely as a result of the simplification of the capital structure; NAV also showed a decrease for the same reason.

We believe however that the difference in the two measurements is a typical element of the current situation, and that the results of the tests, which were also based on external and market parameters, confirm consistency with the equity amounts recognized in the Group consolidated financial statements.

4) Intangible assets

(in thousands of euro)	Patents, IT development	Other intangible assets	Total
Gross amount	60,222	17,665	77,887
Accumulated amortization	(46,853)	(11,025)	(57,878)
Carrying amount at December 31, 2015	**13,369**	**6,640**	**20,009**
Additions	1,983	6,566	8,549
Change in scope of consolidation and other	4,089	(3,601)	488
Amortization and impairment losses	(5,793)	(1,313)	(7,106)
Translation differences	17	24	41
Carrying amount at December 31, 2016	**13,665**	**8,316**	**21,981**
Gross amount	66,530	20,800	87,330
Accumulated amortization	(52,865)	(12,484)	(65,349)
Carrying amount at December 31, 2016	**13,665**	**8,316**	**21,981**

Software licenses and development expense in e-procurement, included under "Patents, IT development", amounted to 11,525 thousand euro (11,146 thousand euro at December 31, 2015) and referred essentially to the development of the IT platform in part by internal personnel hired specifically for the purpose. The year's additions refer to additional functionalities implemented on the technology platform to make its use more flexible, an extension of parameter setting options and methods of use.
"Other intangible assets" includes 1,903 thousand euro for the share of the merger deficit on the acquisition of BravoSolution US, Inc., allocated to customer relations. The item also includes assets under development, carried at 6,398 thousand euro, specifically capitalization of development expense on software not yet available for use.

5) Equity-accounted investees

See the section on IFRS 7.

6) Other equity investments

See the section on IFRS 7.

7) Trade receivables and other non-current assets

See the section on IFRS 7.

Current assets

8) Inventories

The balance on “Inventories” was as follows:

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Raw materials, consumables and supplies	10,030	10,425	(395)
Work in progress and semifinished goods	6,775	5,700	1,075
Finished goods	18,552	16,968	1,584
Payments on account	396	366	30
Total	**35,753**	**33,459**	**2,294**

Inventories are carried net of allowances totaling 2,978 thousand euro (2,807 thousand euro at December 31, 2015) mainly against the risk of slow-moving supplies, spare parts and other consumables.
Spare parts at December 31, 2016 were carried at 340 thousand euro (331 thousand euro at December 31, 2015).

9) Trade receivables

See the section on IFRS 7.

10) Other current assets including derivatives

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Amounts due from employees and social security authorities	1,947	209	1,738
Indirect tax credits	3,107	4,634	(1,527)
Prepaid expenses	3,340	2,634	706
Accrued income	443	449	(6)
Short-term derivatives	8,005	1,251	6,754
Other amounts due from banks and financial instruments	8,634	6,449	2,185
Other amounts due	9,249	9,380	(131)
Total	**34,725**	**25,006**	**9,719**

Details on “Short-term derivatives” are provided in the section on IFRS 7 (Derivatives).

11) Tax assets

Tax assets totaled 9,291 thousand euro (3,782 thousand euro at December 31, 2015) and consisted largely of assets.
The main changes concerned credits for advance payments at Italgen S.p.A. and the consolidation of Clessidra SGR S.p.A..

12) Equity investments, bonds and loan assets

See the section on IFRS 7.

13) Cash and cash equivalents

See the section on IFRS 7.

Equity and liabilities

Share capital, reserves and retained earnings

14) Share capital

At December 31, 2016, the parent's fully paid-up share capital amounted to 100,166,937 euro represented by 23,816,900 no-par shares.
In the second half of 2016, the capital structure was simplified by means of distribution of a special dividend in part in cash, in part in kind, to savings shareholders only and the simultaneous mandatory conversion of savings shares into ordinary shares at a rate of 1 ordinary share for each group of 10 savings shares.

The composition of capital after the simplification is set out below:

Number of shares	December 31, 2016	December 31, 2015	Change
Ordinary shares	23,816,900	22,182,583	1,634,317
Savings shares		16,343,162	(16,343,162)
Total	**23,816,900**	**38,525,745**	**(14,708,845)**

15) Reserves

Share premium

The reserve stood at 177,191 thousand euro, unchanged from December 31, 2015.

16) Treasury shares

At December 31, 2016 treasury shares in portfolio stood at 34,568 thousand euro, an increase from December 31, 2015 due to the operation to simplify the capital structure described above and the exercise of some stock options. Treasury shares were as follows:

	N° ordinary shares	Carrying amount (000 euro)	N° savings shares	Carrying amount (000 euro)	Total carrying amount
At December 31, 2015	**853,261**	**20,396**	**28,500**	**396**	**20,792**
Increases	47,894	15,245	450,437	14,849	30,094
Decreases	(27,141)	(1,073)	(478,937)	(15,245)	(16,318)
At December 31, 2016	**874,014**	**34,568**			**34,568**

Ordinary treasury shares in portfolio at December 31, 2016 in part service stock option plans for directors and managers.

Dividends paid

The parent Italmobiliare S.p.A. paid the following ordinary dividends in 2016 and 2015:

	2016 (euro per share)	2015 (euro per share)	2016 (000 euro)	2015 (000 euro)
Ordinary shares	0.400	0.250	8,532	5,331
Savings shares	0.478	0.390	7,799	6,363
Total dividends			**16,331**	**11,694**

Furthermore, during the year special dividends were paid for 523,931 thousand euro in connection with the operation to simplify the capital structure, of which 126,913 thousand euro in cash and 397,018 thousand euro in kind (HeidelbergCement AG shares).

Translation reserve

This reserve reflects differences on the translation of the financial statements of consolidated foreign operations. At December 31, 2016, the balance on the reserve was negative, at 5,075 thousand euro, referring to the following currencies:

(in millions of euro)	December 31, 2016	December 31, 2015	Change
Egypt (Pound)	(4.2)	(44.3)	40.1
USA and Canada (Dollar)	0.6	33.1	(32.5)
Thailand (Baht)		25.7	(25.7)
Morocco (Dirham)	0.2	7.4	(7.2)
India (Rupee)		(20.0)	20.0
Ukraine (Hryvnia)	(2.0)	(1.8)	(0.2)
Poland (Zloty)	(1.1)	(0.7)	(0.4)
Other countries	1.4	5.6	(4.2)
Net amount	**(5.1)**	**5.0**	**(10.1)**

The absence of translation differences relating to Thailand and India was due to the elimination of the Italcementi group from the scope of consolidation.

17) Non-controlling interests

Equity attributable to non-controlling interests at December 31, 2016 amounted to 9,212 thousand euro, down by 2,481,706 thousand euro from December 31, 2015, largely as a result of the deconsolidation of the Italcementi group.

The negative change in the translation reserve was 55 thousand euro (a positive change of 53,019 thousand euro in 2015), as a result of the performance of the euro against the currencies in the countries with non-controlling interests; dividends of 1,583 thousand euro were distributed to non-controlling interests.

Non-current and current liabilities

18) Employee benefits

Employee benefits at December 31, 2016 amounted to 15,196 thousand euro (11,444 thousand euro at December 31, 2015).
The Group's main employee benefit plans are described below.

Defined benefit plans

The Group operates pension plans and other long-term benefits

Plans in favor of employees are not funded in the main.

All the other plans envisage payment of a one-off benefit on termination of employment, in some cases before retirement, or payment of a bonus during the period of employment, once a specific length of service has been reached.

With regard to the post-employment benefits for personnel of the Group's Italian companies, liabilities in respect of post-employment benefits accrued and optioned by employees as from 2007 no longer qualify as defined benefit plans. They are treated as quotas of defined contribution plans.

In some companies in Austria, France and Italy, the Group also recognizes liabilities in respect of future commitments, in the form of bonuses payable to employees on the basis of length of service; these liabilities are measured with actuarial assumptions. Net liabilities for pension plans and post-employment benefit plans are determined with actuarial calculations performed by independent external actuaries
In the tables set out below, the column "Pension plans and other long-term benefits" includes, besides pension plans, post-employment benefits other than medical care, termination benefits and employee length-of-service bonuses.

The movements in defined benefit obligations during the year are shown below:

(in millions of euro)	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
	Dec.31, 16	Dec.31, 15	Dec.31, 16	Dec.31, 15	Dec.31, 16	Dec.31, 15
Defined benefit obligations at end of previous year	**9.7**	**267.9**		**116.5**	**9.7**	**384.4**
Reclassification to liabilities held for sale		(259.1)		(116.5)		(375.6)
Service cost:						
current service cost	0.4	0.3			0.4	0.3
past service cost	(0.6)				(0.6)	
Finance costs	0.2	0.1			0.2	0.1
Cash flows:						
amounts paid by employer	(0.7)	(0.5)			(0.7)	(0.5)
Other significant events:						
(increase)/decrease due to business combinations, investments and disposals	2.8	1.5			2.8	1.5
Changes arising from remeasurement						
effects due to change in demographic assumptions	0.1				0.1	
effects due to change in financial assumptions		(0.4)				(0.4)
experience adjustments (change since previous measurement not in line with assumptions)	(0.1)	(0.1)			(0.1)	(0.1)
Exchange-rate effect						
Closing defined benefit obligations	**11.8**	**9.7**			**11.8**	**9.7**

The movements in plan asset fair values during the year are shown below:

(in millions of euro)	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
	Dec.31, 16	Dec.31, 15	Dec.31, 16	Dec.31, 15	Dec.31, 16	Dec.31, 15
Fair value of plan assets at end of previous year		**104.5**				**104.5**
Reclassification to liabilities held for sale		(104.5)				(104.5)
Finance income						
Cash flows:						
contributions paid by employer:						
payments made directly by employer	0.7	0.5			0.7	0.5
benefits paid by employer	(0.7)	(0.5)			(0.7)	(0.5)
Closing fair value of plan assets						

The net liability arising from defined benefit obligations recognized in the statement of financial position is shown below:

	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
(in millions of euro)	Dec.31, 16	Dec.31, 15	Dec.31, 16	Dec.31, 15	Dec.31, 16	Dec.31, 15
Plans for defined benefit obligations	11.8	9.7			11.8	9.7
Fair value of plan assets						
Carrying amount of funded plans	**11.8**	**9.7**			**11.8**	**9.7**
Effect of cap on interest-bearing assets/liabilities (excluding finance income)						
Carrying amount of liabilities/(assets)	**11.8**	**9.7**			**11.8**	**9.7**

The components of cost of services of defined benefit plans are set out below:

	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
(in millions of euro)	Dec.31, 16	Dec.31, 15	Dec.31, 16	Dec.31, 15	Dec.31, 16	Dec.31, 15
Service cost:						
current service cost	0.4	0.3			0.4	0.3
past service cost	(0.6)				(0.6)	
Total service cost	**(0.2)**	**0.3**			**(0.2)**	**0.3**
Net finance costs:						
finance costs on defined benefit plans	0.2	0.1			0.2	0.1
Total net finance costs	**0.2**	**0.1**			**0.2**	**0.1**
Effect of new treatment on other long-term benefits	(0.1)				(0.1)	
Administrative expense and tax						
Defined benefit plan costs reflected in income statement	**(0.1)**	**0.4**			**(0.1)**	**0.4**
Gains (losses) reflected in other comprehensive income:						
effects due to change in demographic assumptions	0.1				0.1	
effects due to change in financial assumptions	0.1	(0.4)			0.1	(0.4)
experience adjustments (change since previous measurement not in line with assumptions)	(0.1)	(0.1)			(0.1)	(0.1)
Total gains (losses) reflected in other comprehensive income	**0.1**	**(0.5)**			**0.1**	**(0.5)**
Total defined benefit plan costs reflected in the income statement and in other comprehensive income	**0.0**	**(0.1)**			**0.0**	**(0.1)**

Service cost is a component of “Personnel expenses”; while net finance costs are recognized under “Finance costs”; gains and losses on remeasurement are reflected in other comprehensive income (expense).

The movements in the net liability for defined benefit obligations during the year are shown below:

	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
(in millions of euro)	Dec.31, 16	Dec.31, 15	Dec.31, 16	Dec.31, 15	Dec.31, 16	Dec.31, 15
Defined benefit plan net liabilities (assets) at end of previous year	**9.7**	**163.3**		**116.6**	**9.7**	**279.9**
Reclassification to liabilities held for sale		(154.5)		(116.6)		(271.1)
Defined benefit plan costs reflected in income statement	(0.1)	0.4			(0.1)	0.4
Total gains (losses) reflected in other comprehensive income	0.1	(0.5)			0.1	(0.5)
Other significant events:						
net transfers (including effects of business combinations/sales)	2.8	1.5			2.8	1.5
Cash flows:						
benefits paid directly by employer	(0.7)	(0.5)			(0.7)	(0.5)
Closing defined benefit obligations	**11.8**	**9.7**			**11.8**	**9.7**

Distribution of defined benefit obligations among plan participants:

	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
(in millions of euro)	Dec.31, 16	Dec.31, 15	Dec.31, 16	Dec.31, 15	Dec.31, 16	Dec.31, 15
Employees on payroll	11.8	9.7			11.8	9.7
Former employees with unvested right						
Retirees						
Closing defined benefit obligations	**11.8**	**9.7**			**11.8**	**9.7**

Actuarial assumptions

The actuarial assumptions used to determine obligations arising from the Group's pension plans and other long-term benefits are set out below:

	Europe	
(in %)	2016	2015
Inflation rate	0.00 – 1.50	2.0
Future wage and salary increases	2.00 – 2.50	2.00 – 3.04

Discount rates:

Discount rate in %	2016	2015
Europe		
Italy	1.54	2.00
France	1.40	2.00
Austria	1.75	2.00

The discount rate was determined by reference to market yields on high-quality corporate bonds, using the market yields on government bonds.

Future cash flows

The table below sets out expected plan contributions for next year and a year-by-year breakdown of benefit payments:

	Pension plans and other long-term benefits	Post-employment medical benefits	Total
(in millions of euro)	Dec. 31, 2016	Dec. 31, 2016	Dec. 31, 2016
Expected plan contributions for next year	0.8		0.8
Benefit payment maturities:			
2016	0.8		0.8
2017	0.3		0.3
2018	0.3		0.3
2019	0.5		0.5
2020	0.5		0.5
2021-2025	3.5		3.5
Total	**6.7**		**6.7**

Sensitivity analysis

The table below sets out the sensitivity analysis for the key assumptions at December 31, 2016:

	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
Change	-0.25%	+0.25%	-0.25%	+0.25%	-0.25%	+0.25%
Discount rate	12.3	11.4			12.3	11.4
Average duration of defined benefit obligation (in years)	12.6	12.4				
Inflation rate	5.1	4.4			5.1	4.4
Wage and salary increases	5.1	5.4			5.1	5.4

Other medium/long-term employee benefits

Other medium/long-term employee benefits comprise the management incentive plans at BravoSolution S.p.A. and its subsidiaries for 2,867 thousand euro.

Termination plans

At December 31, 2016, provisions for termination plans totaled 126 thousand euro (247 thousand euro at December 31, 2015).

Stock options

The Group has arranged stock option plans for directors and managers who hold specific posts in Italmobiliare S.p.A..
The stock options granted by the parent Italmobiliare S.p.A. refer to ordinary shares: they may be exercised between the beginning of the fourth year and the end of the tenth year after the grant date; directors whose term of office is not renewed may exercise their options immediately, and in any case within 10 years of the grant date; as a general rule, unexercised stock options assigned to managers are not recognized in the event of termination of employment in the Group, except in the case of retirement.
Stock options are exercised at a rate of 1 share per option.

The terms and conditions of Italmobiliare S.p.A. stock option plans at December 31, 2016, are set out below:

Grant date	no. of options granted	Exercise period	Exercised options	Canceled options	Unexercised options	Unit subscription price
March 21, 2007	122,479	3/21/2010 - 3/20/2017			122,479	€ 86.0685
March 28, 2008	124,200	3/28/2011 - 3/27/2018			124,200	€ 59.9080
March 25, 2009	19,350	3/25/2012 - 3/24/2019	9,600		9,750	€ 20.5260
March 24, 2010	124,385	3/24/2013 - 3/23/2020	23,190		101,195	€ 28.8340
March 30, 2011	112,900	3/30/2014 - 3/29/2021	12,500		100,400	€ 27.4690
Total	**503,314**		**45,290**	**-**	**458,024**	

The grant date is the date of the Board of Directors' meeting that approved the stock option plan.

The table below sets out the number and average exercise price of stock options in the years in question:

	2016		2015	
	Number of options	Average sub-scription price	Number of options	Average sub-scription price
Unexercised options at beginning of year	**595,044**	**€ 52.6528**	**721,631**	**€ 52.9357**
Exercised during year	(27,140)		(18,150)	
Expired during year	(109,880)		(108,437)	
Unexercised options at end of year	**458,024**	**€ 49.8042**	**595,044**	**€ 52.6528**
Vested options at end of year	**458,024**		**595,044**	

The average ordinary share price in financial year 2016 was 32.207 euro (32.2442 euro in 2015).
The average residual life of unexercised options is 1 year and 1 month.
The option exercise price at December 31, 2016 was between 20.526 euro and 86.0685 euro.
Only options granted after November 7, 2002, that had not vested at December 31, 2003, were measured and recognized at the date of transition to the IFRS.

No costs relating to stock options are carried under "Personnel expenses".

Stock option plan fair value at the grant date is estimated using a binomial model that takes dividends into account. The total option term is ten years. Volatility projections assume that past volatility, computed as the annual average on a past period of three years net of extraordinary events, is indicative of future trends.
No other stock option plan feature is taken into consideration when measuring fair value.

The following table sets out the assumptions used and results obtained in measuring stock options:

	2010 Plan	2009 Plan	2008 Plan	2007 Plan	2006 Plan
Option value at grant date	8.81	9.28	3.78	17.21	23.64
Share value	28.39	31.10	21.59	65.10	87.41
Exercise price	27.469	28.834	20.526	59.908	86.068
Volatility in %	26.2%	24.3%	25.0%	17.5%	17.5%
Option term (years)	10.00	10.00	10.00	10.00	9.75
Dividends in %	3.01%	2.75%	7.41%	2.23%	1.45%
10-year BTP risk-free rate	4.775%	3.920%	4.485%	3.889%	3.652%

19) Non-current and current financial liabilities and bank loans and borrowings

See the section on IFRS 7.

20) Provisions

Non-current and current provisions totaled 99,733 thousand euro at December 31, 2016, an increase of 48,452 thousand euro from December 31, 2015.

(in thousands of euro)	Opening amount	Additions	Decreases	Reversed unused amounts	Other changes	Total changes	Closing amount
Environmental restoration	845		(156)			(156)	689
Disputes	47,120	7,363	(100)		(39)	7,224	54,344
Other provisions	3,316	41,811	(426)		(1)	41,384	44,700
Total	**51,281**	**49,174**	**(682)**		**(40)**	**48,452**	**99,733**
Non-current portion	50,295	48,997	(364)		(39)	48,594	98,889
Current portion	986	177	(318)		(1)	(142)	844
Total	**51,281**	**49,174**	**(682)**		**(40)**	**48,452**	**99,733**

“Disputes” largely reflects provisions for tax risks deemed probable as a result of tax audits and adjustments to tax returns, provisions relating to antitrust proceedings and provisions for disputes with employees.
“Other provisions” reflects amounts provided in connection with contractual and commercial liabilities.

21) Deferred tax assets and deferred tax liabilities

Total deferred tax assets net of deferred tax liabilities amounted to 18,765 thousand euro at December 31, 2016, as follows:

(in thousands of euro)	December 31, 2015	Profit (loss)	Other changes	December 31, 2016
Benefit on tax loss carryforwards	19,122	(6,889)	1,962	14,195
Property, plant and equipment	(3,257)	656	(1,308)	(3,909)
Other equity investments	(530)		(30,895)	(31,425)
Inventories	411	112	(1)	522
Finance liabilities	(317)	13		(304)
Non-current provisions and Employee benefits	1,016	38	216	1,270
Others	2,320	914	762	3,996
Total	**18,765**	**(5,156)**	**(29,264)**	**(15,655)**
of which:				
Deferred tax assets	23,047			19,868
Deferred tax liabilities	(4,282)			(35,523)
Total	**18,765**			**(15,655)**

At December 31, 2016 equity reserves reflected net deferred tax assets of 32,191 thousand euro (net deferred tax liabilities of 9,607 thousand euro at December 31, 2015).
Unrecognized deferred tax relating to losses for the year and previous years amounted to 24,002 thousand euro (13,680 thousand euro at December 31, 2015); the amount referred to Group company losses the reversal of which is not considered probable today.

22) Trade payables

See the section on IFRS 7.

23) Tax liabilities

Tax liabilities amounted to 2,805 thousand euro (1,846 thousand euro at December 31, 2015) and reflected amounts due to tax authorities for income taxes accrued in the year.

24) Other liabilities

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Due to employees	20,832	23,300	(2,468)
Due to social security authorities	7,923	6,720	1,203
Due to tax authorities	7,022	6,144	878
Accrued expenses and deferred income	22,913	17,862	5,051
Derivatives	10,932	1,680	9,252
Amounts due private equity and banking arm	7,414	6,890	524
Advances from customers	531	581	(50)
Due to suppliers for non-current assets	1,894	2,797	(903)
Other liabilities	5,074	5,138	(64)
Total	**84,535**	**71,112**	**13,423**

Commitments

(in millions of euro)	December 31, 2016	December 31, 2015
Collateral given	3.4	150.2
Deposits, guarantees, sureties, commitments and other	261.5	278.0
Total	**264.9**	**428.2**

The decrease in commitments arose after the deconsolidation of the Italcementi group.

The second item includes new guarantees provided by Italmobiliare S.p.A. with respect to companies previously controlled by Italcementi S.p.A. and guarantees provided to subsidiaries in connection with the ongoing proceeding with the European Commission on breaches of competition laws. The usual guarantees are provided on the sale of equity investments.

Commitments include a residual amount of 76.6 million euro (12.7 million euro at December 31, 2015) for subscription of private equity funds.

Income statement

25) Revenue and income

Revenue from sales and services and income totaled 451,028 thousand euro, as follows:

(in thousands of euro)	2016	2015	Change	% change
Industrial revenue				
Product sales	207,543	233,895	(26,352)	-11.3%
Services provided	135,798	145,894	(10,096)	-6.9%
Other revenue	43	31	12	38.7%
Total	**343,384**	**379,820**	**(36,436)**	**-9.6%**
Financial revenue				
Interest	2,119	2,177	(58)	-2.7%
Dividends	6,839	5,224	1,615	30.9%
Gains and other revenue	89,798	13,189	76,609	n.s.
Commissions	7,319		7,319	n.s.
Total	**106,075**	**20,590**	**85,485**	**n.s.**
Revenue other activities				
Interest	1,533	1,473	60	4.1%
Other revenue	36	86	(50)	-58.1%
Total	**1,569**	**1,559**	**10**	**n.s.**
Grand total	**451,028**	**401,969**	**49,059**	**12.2%**

Gains include the gain of 71,769 thousand euro on HeidelbergCement shares arising from the distribution to shareholders.

26) Raw materials and supplies

Raw materials and supplies amounted to 147,639 thousand euro, as follows:

(in thousands of euro)	2016	2015	Change	% change
Raw materials and semifinished goods	54,123	67,046	(12,923)	-19.3%
Fuel	371	724	(353)	-48.8%
Materials and machinery	8,311	8,848	(537)	-6.1%
Finished goods	42,906	46,527	(3,621)	-7.8%
Electricity and water	41,979	49,313	(7,334)	-14.9%
Change in inventories of raw materials, consumables and other	(51)	(1,462)	1,411	-96.5%
Total	**147,639**	**170,996**	**(23,357)**	**-13.7%**

27) Services

Services amounted to 72,221 thousand euro, as follows:

(in thousands of euro)	2016	2015	Change	% change
External services and maintenance	9,910	10,828	(918)	-8.5%
Transport	13,618	15,079	(1,461)	-9.7%
Legal fees and consultancy	22,950	17,531	5,419	30.9%
Rents	10,467	9,702	765	7.9%
Insurance	2,850	2,739	111	4.1%
Subscriptions	196	195	1	0.5%
Other expense	12,230	13,582	(1,352)	-10.0%
Total	**72,221**	**69,656**	**2,565**	**3.7%**

"Legal fees and consultancy" includes expense of 2,573 thousand euro relating to the project for the sale of the subsidiary Italcementi S.p.A. to HeidelbergCement AG, expense of 4,623 thousand euro relating to the project for the simplification of capital and amounts totaling 182 thousand euro due to the Board of Statutory Auditors.
"Other expense" consisted largely of commission expense on trading operations, communication and marketing expense, and representation expense, relating mainly to the Group industrial companies.

28) Personnel expenses

Personnel expenses totaled 150,786 thousand euro, as follows:

(in thousands of euro)	2016	2015	Change	% change
Wages and salaries	108,281	94,276	14,005	14.9%
Social security contributions	31,426	27,907	3,519	12.6%
Other expense	11,079	10,919	160	1.5%
Total	**150,786**	**133,102**	**17,684**	**13.3%**

"Other expense" related mainly to costs of temporary personnel, canteen costs, employee insurance costs, travel costs and personnel training and recruitment costs.

The number of employees is shown below:

(headcount)	2016	2015	Change
Number of employees at year end - continuing operations	2,067	1,917	150
Number of employees at year end - assets held for sale		16,797	(16,797)
Total number of employees at year end	**2,067**	**18,714**	**(16,647)**
Average number of employees - continuing operations	2,038	2,079	(41)
Average number of employees - assets held for sale		16,948	(16,948)
Total average number of employees	**2,038**	**19,027**	**(16,989)**

29) Other operating income and expense

Other operating expense net of other operating income amounted to 36,204 thousand euro, as follows:

(in thousands of euro)	2016	2015	Change	% change
Other taxes	8,944	4,336	4,608	106.3%
Allowance for impairment	937	1,899	(962)	-50.7%
Interest expense and other expense for financial and banking companies	19,406	11,003	8,403	76.4%
Accruals to provisions and other expense	5,212	1,737	3,475	200.1%
Miscellaneous income	(8,654)	(11,062)	2,408	-21.8%
Net expense (gains) relating to the sale of non-current assets	34	(10)	44	-440.0%
Personnel expense for re-organizations	58	124	(66)	-53.2%
Other expense, net	10,267	34,848	(24,581)	-70.5%
Total	**36,204**	**42,875**	**(6,671)**	**-15.6%**

“Miscellaneous income” includes net gains of 5,785 thousand euro on green certificates attributed to Italgen S.p.A. (7,652 thousand euro in 2015).
The increase in “Interest expense and other expense for financial and banking companies” arose from expense relating to stock options (8,641 thousand euro in 2016).

31) Amortization and depreciation

The total amount of 19,989 thousand euro (19,749 thousand euro in 2015) reflects depreciation of property, plant and equipment for 12,606 thousand euro (12,643 thousand euro in 2015), depreciation of investment property for 276 thousand euro (169 thousand euro in 2015) and amortization of intangible assets for 7,107 thousand euro (6,937 thousand euro in 2015).

32) Reversals of impairment losses (impairment losses) on non-current assets

This caption reflects impairment losses of 316 thousand euro in 2016, referring to property, plant and equipment (a positive balance of 2,770 thousand euro in 2015 for reversals of impairment losses on property, plant and equipment).

33) Finance income (costs), exchange-rate differences and net gains (losses) on derivatives

Net finance costs amounted to 5,567 thousand euro, as follows:

	2016		2015	
(in thousands of euro)	**Income**	**Costs**	**Income**	**Costs**
Interest income	150		85	
Interest expense		(2,375)		(2,761)
Dividends and gains (losses) from equity investments		(3)		
Other finance income	14		4,152	(7)
Other finance costs		(1,699)		(1,575)
Total finance income (costs)	**164**	**(4,077)**	**4,237**	**(4,343)**
Gains/(losses) on interest-rate derivatives	1			(1)
Net exchange-rate differences		(1,655)		(807)
Exchange-rate differences and net gains (losses) on derivatives		**(1,654)**		**(808)**
Total finance income (costs), exchange-rate differences and net gains (losses) on derivatives		**(5,567)**		**(914)**

“Other finance income” in 2015 included the gain of 4,137 thousand euro on the sale of the subsidiary Sirap Insulation S.r.l..
“Other finance costs” includes net finance costs of 24 thousand euro on employee defined benefit plans (18 thousand euro in 2015).

34) Reversals of impairment losses (impairment losses) on financial assets

(in thousands of euro)	2016	2015	Change	% change
SES	8,043		8,043	n.s.
Unicredit	7,038		7,038	n.s.
Sesaab	4,545		4,545	n.s.
Banca Leonardo	2,498		2,498	n.s.
Unicredit Cashes	2,475		2,475	n.s.
Coima Res	1,447		1,447	n.s.
035 Investimenti	63		63	n.s.
RCS MediaGroup		324	(324)	-100.0%
Other	123	133	(10)	-7.5%
Total	**26,232**	**457**	**25,775**	**n.s.**

35) Share of profit (loss) of equity-accounted investees

(in thousands of euro)	2016	2015	Change	% change
SES (Italy)	(513)	(1,229)	716	-58.3%
Other	4	(361)	365	n.s.
Total	**(509)**	**(1,590)**	**1,081**	**-68.0%**

36) Income tax expense

Income tax expense for the period was 18,555 thousand euro, as follows:

(in thousands of euro)	2016	2015	Change	% change
Current tax	9,937	8,863	1,074	12.1%
Prior-year tax and other prior-year tax items	(1,221)	(773)	(448)	58.0%
Deferred tax	9,513	(3,900)	13,413	n.s.
Tax from change in tax rate	326	28	298	n.s.
Total	**18,555**	**4,218**	**14,337**	**n.s.**

In Italy, the IRES tax rate applied by the Italian companies on estimated taxable income for the year was 27.5% (as in 2015). Taxes for Group companies in other countries are calculated using local tax rates.
The reconciliation between the tax charge reflected in the income statement and the theoretical tax charge does not consider IRAP, since IRAP uses a taxable base other than profit before tax.

The reconciliation between the theoretical tax charge and the tax charge reflected in the income statement is set out below:

(in thousands of euro)		2016
Consolidated profit (loss) before tax relating to continuing operations		**5,138**
Current IRES tax rate		27.5%
Theoretical tax charge		**(1,413)**
Effect of tax rate reduction for tax relief/allowances		
Tax effect on permanent differences		
- foreign dividends and other exempt income and non-deductible costs		(13,075)
Net effect for the year of unrecognized deferred taxes on temporary differences (*)		(4,133)
Recovery in year of deferred tax not recognized in previous years on deductible temporary differences and/or tax losses		3,020
Effect of change in tax rates		(444)
Withholdings on foreign dividends		(531)
Effect of estimate adjustments and/or recognition of previously unrecognized deferred tax		(52)
Effect of difference between Italian and foreign tax rate (**)		(872)
Other taxes		(319)
Effective income tax charge	**n.s.**	**(17,819)**
Effective IRAP tax charge		(736)
Total income tax relating to continuing operations	**n.s.**	**(18,555)**

(*) Refers mainly to unrecognized deferred tax assets on losses for the year in Italy.
(**) The difference between the Italian tax rate and the rates in the foreign countries where the Group operates refers mainly to France, Belgium, Egypt and the USA.

37) Profit relating to discontinued operations, net of tax effects

This caption is analyzed below:

(in thousands of euro)	2016	2015	Change	% change
Profit (loss) of discontinued construction materials segment, net of tax effect	(346,265)	(75,816)	(270,449)	n.s.
Reversal H1 amortization, depreciation and impairment losses in discontinued construction materials segment, net of tax effect	334,946	104,994	229,952	n.s.
Reversal infragroup postings	(1,737)			n.s.
Profit (loss) of banking segment, net of tax effect		3,230	(3,230)	-100.0%
Gain on discontinued banking segment		48,524	(48,524)	-100.0%
Reclassification comprehensive income items	(47,560)		(47,560)	n.s.
Net gain on discontinued construction materials segment	142,242		142,242	n.s.
Total	**81,626**	**80,932**	**694**	n.s.

The financial statements of the construction materials segment sold during the year are set out below.

The loss for the period reflected in the income statement does not include the operations that remained in the Group, that is, the investees BravoSolution, Italgen and some properties in Rome. As in 2015, the amount in question was adjusted to take account of the suspension of the effect in the first six months of 2016 of amortization, depreciation and impairment losses net of the tax effect.

The sale of the equity investment in Italcementi generated a cash inflow of 877,891 thousand euro, as well as an amount of 717,570 thousand euro for the value of 10,500,000 HeidelbergCement AG shares measured at fair value at July 1, 2016, set against a cash outflow of 200,995 thousand euro for the purchase by Italmobiliare of the non-core assets held by Italcementi S.p.A..

Statement of financial position
Discontinued Italcementi group

(in thousands of euro)	06.30.2016	Adjustments	Total
Non-current assets			
Property, plant and equipment	3,124,129	513,698	3,637,827
Investment property	21,555		21,555
Goodwill	1,282,237	34,328	1,316,565
Intangible assets	61,348		61,348
Equity-accounted investees	198,543		198,543
Other equity investments	17,245		17,245
Trade receivables and other non-current assets	129,762		129,762
Deferred tax assets	83,496		83,496
Non-current amounts due from employees	270		270
Total non-current assets	**4,918,585**	**548,026**	**5,466,611**
Current assets			
Inventories	633,871		633,871
Trade receivables	532,783		532,783
Other current assets including derivatives	274,466		274,466
Tax assets	13,175		13,175
Equity investments, bonds and loan assets	60,959		60,959
Cash and cash equivalents	616,821		616,821
Total current assets	**2,132,075**		**2,132,075**
Non-current assets held for sale	**982,776**		**982,776**
Total assets	**8,033,436**	**548,026**	**8,581,462**
Equity			
Share capital	401,715		401,715
Share premium	711,879		711,879
Reserves	23,269		23,269
Treasury shares	(58,690)		(58,690)
Retained earnings	1,562,274	434,270	1,996,544
Equity attributable to owners of the parent	**2,640,447**	**434,270**	**3,074,717**
Non-controlling interests	706,328	37,672	744,000
Total equity	**3,346,775**	**471,942**	**3,818,717**
Non-current liabilities			
Financial liabilities	1,558,459		1,558,459
Employee benefits	380,988		380,988
Provisions	190,948		190,948
Other liabilities	87,584		87,584
Deferred tax liabilities	102,880	76,084	178,964
Total non-current liabilities	**2,320,859**	**76,084**	**2,396,943**
Current liabilities			
Bank loans and borrowings	183,302		183,302
Financial liabilities	835,376		835,376
Trade payables	580,462		580,462
Provisions	1,838		1,838
Tax liabilities	13,166		13,166
Other liabilities	588,908		588,908
Total current liabilities	**2,203,052**		**2,203,052**
Total financial liabilities relating to continuing operations	**4,523,911**	**76,084**	**4,599,995**
Liabilities directly linked to assets held for sale	**162,750**		**162,750**
Total liabilities	**4,686,661**	**76,084**	**4,762,745**
Total equity and liabilities	**8,033,436**	**548,026**	**8,581,462**

Statement of financial position
Discontinued Italcementi group

(in thousands of euro)	12.31.2015	Adjustments	Total
Non-current assets			
Property, plant and equipment	4,115,540	132,331	4,247,871
Investment property	22,148		22,148
Goodwill	1,603,107	34,328	1,637,435
Intangible assets	75,805		75,805
Equity-accounted investees	203,224		203,224
Other equity investments	19,310		19,310
Trade receivables and other non-current assets	145,610		145,610
Deferred tax assets	84,331		84,331
Non-current amounts due from employees	177		177
Total non-current assets	**6,269,252**	**166,659**	**6,435,911**
Current assets			
Inventories	705,173		705,173
Trade receivables	558,859		558,859
Other current assets including derivatives	252,527		252,527
Tax assets	24,838		24,838
Equity investments, bonds and loan assets	83,604		83,604
Cash and cash equivalents	537,092		537,092
Total current assets	**2,162,093**		**2,162,093**
Total assets	**8,431,345**	**166,659**	**8,598,004**
Equity			
Share capital	401,715		401,715
Share premium	711,879		711,879
Reserves	66,733		66,733
Treasury shares	(58,690)		(58,690)
Retained earnings	1,817,029	128,143	1,945,172
Equity attributable to owners of the parent	**2,938,666**	**128,143**	**3,066,809**
Non-controlling interests	787,932	11,180	799,112
Total equity	**3,726,598**	**139,323**	**3,865,921**
Non-current liabilities			
Financial liabilities	2,095,528		2,095,528
Employee benefits	287,955		287,955
Provisions	206,243		206,243
Other liabilities	67,784		67,784
Deferred tax liabilities	200,328	27,336	227,664
Total non-current liabilities	**2,857,838**	**27,336**	**2,885,174**
Current liabilities			
Bank loans and borrowings	326,194		326,194
Financial liabilities	321,494		321,494
Trade payables	565,763		565,763
Provisions	1,386		1,386
Tax liabilities	19,075		19,075
Other liabilities	612,997		612,997
Total current liabilities	**1,846,909**		**1,846,909**
Total liabilities	**4,704,747**	**27,336**	**4,732,083**
Total equity and liabilities	**8,431,345**	**166,659**	**8,598,004**

Income statement
Discontinued Italcementi group

(in thousands of euro)	H1 2016	%	2015	%
Revenue	**2,059,523**	**100.0%**	**4,163,272**	**100.0%**
Other revenue	11,739		29,559	
Change in inventories	3,340		(13,550)	
Internal work capitalized	10,027		38,169	
Raw materials and supplies	(806,569)		(1,682,820)	
Services	(549,270)		(1,079,393)	
Personnel expenses	(409,844)		(812,603)	
Other operating income (expense)	(149,182)		(80,830)	
Gross operating profit	**169,764**	**8.2%**	**561,804**	**13.5%**
Amortization and depreciation	(192,836)		(403,163)	
Impairment losses on non-current assets	(188,532)		(22,965)	
Operating profit (loss)	**(211,604)**	**-10.3%**	**135,676**	**3.3%**
Finance income	12,716		43,480	
Finance costs	(80,636)		(160,794)	
Exchange-rate differences and net gains (losses) on derivatives	(16,718)		(12,498)	
Impairment losses on financial assets				
Share of profit (loss) of equity-accounted investees	3,426		14,502	
Profit (loss) before tax	**(292,816)**	**-14.2%**	**20,366**	**0.5%**
Income tax expense	(53,449)		(96,182)	
Loss for the period	**(346,265)**	**-16.8%**	**(75,816)**	**-1.8%**
Attributable to:				
owners of the parent	**(373,497)**	**-18.1%**	**(124,174)**	**-3.0%**
non-controlling interests	**27,232**	**1.3%**	**48,358**	**1.2%**

Breakdown of the reclassified amount in the assets held for sale line item:

(in thousands of euro)	2016	2015	Change
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss subsequently			
Re-measurement of the net liability/(asset) for employee benefits		17,246	(17,246)
Re-measurement of the net liability (asset) for employee benefits - investments in equity-accounted investees		1	
Income tax (expense)		(3,765)	3,765
Total items that will not be reclassified to profit or loss subsequently		**13,482**	**(13,481)**
Items that might be reclassified to profit or loss subsequently			
Translation reserve on foreign operations	28,717	90,815	(62,098)
Translation reserve on foreign operations - investments in equity-accounted investees		(4,890)	4,890
Fair value gains (losses) on cash flow hedging	18,859	(6,116)	24,975
Fair value gains on cash flow hedging - investments in equity-accounted investees		83	(83)
Fair value gains (losses) on available-for-sale financial assets	(16)	(5,567)	5,551
Fair value gains (losses) on available-for-sale financial assets - investments in equity-accounted investees			
Income tax expense		2,170	(2,170)
Total items that might be reclassified to profit or loss subsequently	**47,560**	**76,495**	**(28,935)**
Total other comprehensive income	**47,560**	**89,977**	**(42,416)**

38) Other comprehensive income

(in thousands of euro)	Gross amount	Tax	Net amount
Fair value gains (losses) on:			
Available-for-sale financial assets	96,588	(24,951)	71,637
Derivatives	4		4
Translation differences	(4,854)		(4,854)
Actuarial gains (losses) on defined benefit plans	180	48	228
Other comprehensive income	**91,918**	**(24,903)**	**67,015**

39) Earnings per share

Earnings per share at December 31, 2016 and 2015 are determined on the parent profit (loss) for the respective years and stated separately for savings shares (for 2015 only) and for ordinary shares (for both 2016 and 2015).

Basic earnings per share

The weighted average number of shares and attributable profit (loss) are shown below:

	2016		2015	
(n° shares in thousands)	**Ordinary shares**	**Savings shares**	**Ordinary shares**	**Savings shares**
N° shares at January 1	22,183	16,343	22,183	16,343
Treasury shares at January 1	(853)	(28)	(872)	(28)
Weighted average number of treasury shares sold in period	526	(16,315)	12	
Total	**21,856**		**21,323**	**16,315**
Attributable profit in thousands of euro	56,974		3,219	3,735
Basic earnings per share	2.607		0.151	0.229

Profit attributable by share category was determined as follows:

	2016		2015	
(in thousands of euro)	**Ordinary shares**	**Savings shares**	**Ordinary shares**	**Savings shares**
Profit reserved for savings shareholders (euro 0.078 per share)				1,272
Residual earnings apportioned to all shares	56,974		3,219	2,463
Total	**56,974**		**3,219**	**3,735**

The weighted effect of the conversion of savings shares into ordinary shares is 544 shares.

Diluted earnings per share

Diluted earnings (losses) per share are computed in the same way as basic earnings (losses) per share, taking account of the dilutive effect of stock options.

The weighted average number of shares and attributable profit (loss) are shown below:

	2016		2015	
(thousands of shares)	**Ordinary shares**	**Savings shares**	**Ordinary shares**	**Savings shares**
Weighted average number of shares at December 31	21,856		21,323	16,351
Dilutive effect of stock options	29		34	
Total	**21,885**		**21,357**	**16,351**
Attributable profit for diluted earnings in 000 euro	56,974		3,221	3,733
Diluted earnings per share in euro	2.603		0.151	0.229

Profit attributable by share category was determined as follows:

	2016		2015	
(in thousands of euro)	**Ordinary shares**	**Savings shares**	**Ordinary shares**	**Savings shares**
Profit reserved for savings shareholders (euro 0.078 per share)				1,273
Residual profit apportioned to all shares	56,974		3,221	2,460
Total	**56,974**		**3,221**	**3,733**

Basic earnings (losses) per share relating to continuing operations are set out below:

	2016		2015	
(n° shares in thousands)	**Ordinary shares**	**Savings shares**	**Ordinary shares**	**Savings shares**
N° shares at January 1	22,183	16,343	22,183	16,343
Treasury shares at January 1	(853)	(28)	(872)	(28)
Weighted average number of treasury shares sold in period	544	(16,315)	12	
Total	**21,874**		**21,323**	**16,315**
Attributable loss relating to continuing operations in 000 euro	(7,321)		(17,554)	(13,430)
Basic losses per share relating to continuing operations in euro	(0.335)		(0.823)	(0.823)

Diluted earnings (losses) per share relating to continuing operations are set out below:

	2016		2015	
(thousands of shares)	**Ordinary shares**	**Savings shares**	**Ordinary shares**	**Savings shares**
Weighted average number of shares at December 31	21,874		21,323	16,315
Dilutive effect of stock options	29		34	
Total	**21,903**		**21,357**	**16,315**
Attributable loss relating to continuing operations for diluted earnings per share in 000 euro	(7,321)		(17,566)	(13,418)
Diluted losses per share in euro	(0.335)		(0.822)	(0.822)

Basic earnings per share relating to discontinued operations are set out below:

	2016		2015	
(n° shares in thousands)	Ordinary shares	Savings shares	Ordinary shares	Savings shares
N° shares at January 1	22,183	16,343	22,183	16,343
Treasury shares at January 1	(853)	(28)	(872)	(28)
Weighted average number of treasury shares sold in period	544	(16,315)	12	
Total	**21,874**		**21,323**	**16,315**
Distributable earnings relating to discontinued operations in 000 euro	64,295		20,772	17,166
Basic earnings per share relating to discontinued operations in euro	2.942		0.974	1.052

Diluted earnings per share relating to discontinued operations are set out below:

	2016		2015	
(thousands of shares)	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares at December 31	21,874		21,323	16,315
Dilutive effect of stock options	29		34	
Total	**21,903**		**21,357**	**16,315**
Earnings relating to discontinued operations attributable for diluted earnings per share in 000 euro	64,295		20,787	17,151
Diluted earnings per share relating to discontinued operations in euro	2.938		0.973	1.051

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Net financial position

The net financial position at December 31, 2016 was as follows:

(in thousands of euro)	Statement of financial position caption	Non NFP	NFP	Current assets	Current liabilities	Non-current assets	Non-current liabilities
Trade receivables and other non-current assets	114,866	67,425	47,441	192		47,249	
Other current assets including derivatives	34,725	18,086	16,639	16,639			
Equity investments, bonds and loan assets	295,530		295,530	295,530			
Cash and cash equivalents	285,505		285,505	285,505			
Non-current financial liabilities	(77,909)		(77,909)				(77,909)
Other non-current liabilities							
Current bank loans and borrowings	(28,247)		(28,247)		(28,247)		
Current financial liabilities	(27,152)		(27,152)		(27,152)		
Other liabilities	(84,535)	(66,189)	(18,346)		(18,346)		
Total	**512,783**	**19,322**	**493,461**	**597,866**	**(73,745)**	**47,249**	**(77,909)**

The net financial position at December 31, 2016 was positive, at 493,461 thousand euro, as follows:

(in thousands of euro)	December 31, 2016		December 31, 2015		Change	
Current financial assets	**597,866**		**299,405**		**298,461**	
Cash and cash equivalents		285,505		118,173		167,332
Derivatives - assets		8,005		1,251		6,754
Other current financial assets		304,356		179,981		124,375
Current financial liabilities	**(73,745)**		**(228,392)**		**154,647**	
Bank loans and borrowings		(28,247)		(156,851)		128,604
Current financial liabilities		(34,566)		(69,861)		35,295
Derivatives - liabilities		(10,932)		(1,680)		(9,252)
Non-current financial assets	**47,249**		**27,879**		**19,370**	
Non-current financial assets		47,249		27,879		19,370
Non-current derivatives						
Non-current financial liabilities	**(77,909)**		**(43,242)**		**(34,667)**	
Non-current financial liabilities		(77,909)		(43,242)		(34,667)
Non-current derivatives						
Net financial position continuing operations	**493,461**		**55,650**		**437,811**	
Assets held for sale				659,909		(659,909)
Liabilities directly linked to assets held for sale				(2,797,230)		2,797,230
Net financial debt discontinued operations			**(2,137,321)**		**2,137,321**	
Total net financial position (debt)	**493,461**		**(2,081,671)**		**2,575,132**	

The net financial position at December 31, 2016, computed in compliance with Consob communication no. DEM/6064293 of July 28, 2006 (i.e., not including non-current financial assets) amounted to 446,212 thousand euro (positive at 27,771 thousand euro at December 31, 2015).

Comparison between fair value and carrying amount

The table below compares the carrying amount and the fair value of financial assets and liabilities at December 31, 2016 and 2015:

(in thousands of euro)	December 31, 2016 Carrying amount	December 31, 2016 Fair value	December 31, 2015 Carrying amount	December 31, 2015 Fair value
Financial assets				
Assets at fair value through profit or loss				
Cash and cash equivalents	285,505	285,505	118,173	118,173
Derivatives	8,005	8,005	1,251	1,251
Equity investments, bonds and loan assets	295,530	295,530	173,395	173,395
Banking and other receivables	10,641	10,641	9,563	9,563
Loans and receivables				
Trade receivables	101,883	101,883	108,001	108,001
Receivables and other non-current assets	114,866	114,866	34,579	34,579
Available-for-sale assets				
Other non-current equity investments	662,078	662,078	204,387	204,387
Held-to-maturity investments				
Total	**1,478,508**	**1,478,508**	**649,349**	**649,349**
Financial liabilities				
Trade payables	53,933	53,933	58,215	58,215
Current financial liabilities	*55,399*	*55,399*	*219,822*	*219,822*
Other financial liabilities	*7,414*	*7,414*	*6,890*	*6,890*
Total current financial liabilities	62,813	62,813	226,712	226,712
Derivatives	10,932	10,932	1,680	1,680
Non-current financial liabilities	77,909	77,909	43,242	43,242
Total	**205,587**	**205,587**	**329,849**	**329,849**

Trade receivables and payables are current assets and liabilities and are carried at amounts that are reasonable approximations of their fair value.
Derivatives are measured and recognized at fair value.
The fair value of foreign-currency assets and liabilities is determined using the closing rates. The fair value of fixed-rate assets and liabilities is determined using a fixed rate with no credit margin, net of transaction costs directly attributable to the financial assets and financial liabilities.

Fair Value – hierarchy

In determining and documenting the fair value of financial instruments, the Group uses the following hierarchy based on different measurement methods:

- level 1: financial instruments with prices quoted on active markets;
- level 2: prices quoted on active markets for similar financial instruments, or fair value determined with other measurement methods where all significant inputs are based on observable market data;
- level 3: fair value determined with measurement methods where no significant input is based on observable market data.

Information on the fair value of financial assets and financial liabilities not measured at fair value is excluded, when carrying amount is a reasonable approximation of fair value.

At December 31, 2016, financial instruments measured at fair value were as follows:

(in thousands of euro)	December 31, 2016	Level 1	Level 2	Level 3
Cash and cash equivalents	25	25		
Derivatives - assets	8,005		8,005	
Equity investments, bonds and loan assets	195,028	176,441	5,239	13,348
Banking and other receivables	2,007			2,007
Receivables and other non-current assets	89,172		4,525	84,647
Non-current equity investments	662,078	608,540	16,474	37,064
Current financial liabilities	55,198		55,198	
Derivatives - liabilities	10,932		10,932	
Non-current financial liabilities	77,460		77,460	

(in thousands of euro)	Level 3 12/31/2015	Increases: Purchases	Increases: Gains in income statement	Increases: Other gains in income statement	Increases: Gains in equity	Increases: Other changes	Increases: Transfers from other levels	Decreases: Sales	Decreases: Repayments	Decreases: Losses in income statement	Decreases: Other losses in income statement	Decreases: Losses in equity	Decreases: Other changes	Decreases: Transfers to other levels	Level 3 12/31/2016
Equity investments, bonds and loan assets	1,270	11,540			877	55			(307)		(87)				13,348
Banking and other receivables	3,020								(805)		(208)				2,007
Receivables and other non-current assets	2,738	74,778			7,131										84,647
Non-current equity investments	19,836	22,424			3,600			(1,402)	(164)		(7,226)		(4)		37,064

No reclassifications from categories measured at fair value to categories measured at amortized cost were made in the year under review or in the previous year, in the Group financial asset portfolio.

The fair value of level 3 non-current equity investments was estimated with reference to market multiples and, where possible, comparable transactions.

Cash and cash equivalents

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Cash and checks in hand	229	218	11
Bank and postal accounts	285,251	117,931	167,320
Current bonds	25	24	1
Net amount	**285,505**	**118,173**	**167,332**

Cash and cash equivalents are also shown under “Cash and cash equivalents at the end of the year” on the statement of cash flows.

Derivatives

The method adopted by the Group to determine the impact of credit/counterparty risk on its measurements at the reporting date applies a default probability to each flow in order to incorporate the adjustment for credit/counterparty risk into the measurement.
Default probabilities are computed using secondary bond market data through calculation of the implicit “credit default swaps” (CDS).
The loss given default (LGD) is set at 60% in line with market standards.

The table below shows the fair value of the financial instruments recognized in the statement of financial position, subdivided by type of hedge:

	December 31, 2016		December 31, 2015	
(in thousands of euro)	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives for trading	131	(326)	82	(1)
Interest-rate derivatives	**131**	**(326)**	**82**	**(1)**
Exchange-rate derivatives				
Derivatives on shares and securities	7,874	(10,606)	1,169	(1,679)
Total current instruments	**8,005**	**(10,932)**	**1,251**	**(1,680)**
Interest-rate derivatives				
Exchange-rate derivatives				
Total long-term instruments				
Total	**8,005**	**(10,932)**	**1,251**	**(1,680)**

Trading interest-rate derivatives refer to assets that do not qualify for accounting as future cash flow hedges, although they are transacted for that purpose.

Derivatives on equities and securities refer to purchases of put options and sales of call options on HeidelbergCement shares.

Derivatives are stated at fair value, including the impact of the counterparty risk.

Equity investments, bonds and loan assets

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Securities and funds	212,031	172,613	39,418
Trading equities and bonds	82,913	8	82,905
Banks loans and borrowings	586	774	(188)
Net amount	**295,530**	**173,395**	**122,135**

Trade receivables

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Gross amount	110,286	116,052	(5,766)
Allowance for impairment	(8,403)	(8,051)	(352)
Total	**101,883**	**108,001**	**(6,118)**

Trade receivables and other non-current assets

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Non-current receivables	20,880	20,476	404
Bonds	25,216	5,607	19,609
Investment and private equity funds	64,148	2,738	61,410
Guarantee deposits	1,734	2,756	(1,022)
Other	2,888	3,002	(114)
Total financial instruments	**114,866**	**34,579**	**80,287**
Other		2,691	(2,691)
Total	**114,866**	**37,270**	**77,596**

The increase was due to the purchase of mutual fund units, bonds and private equity fund units, including the Clessidra CCP3 fund for 50,833 thousand euro.

Equity-accounted investees

This caption reflects equity interests in equity-accounted investees. The main equity-accounted investees are listed below:

(in thousands of euro)	Carrying amount December 31, 2016	Carrying amount December 31, 2015	Share of profit (loss) 2016	Share of profit (loss) 2015
Associates				
S.E.S. (Italy)	8,811	17,357	(513)	(1,229)
Others	486	378	4	(361)
Total associates	**9,297**	**17,735**	**(509)**	**(1,590)**

The equity investment in the associate S.E.S. was impaired by 8,043 thousand euro based on the value of comparable multiples.

The data of the main equity-accounted investee adjusted for compliance with Group policies is set out below:

(in thousands of euro)	Società Editrice Sud 2016 *	Società Editrice Sud 2015 **
Revenue	14,478	15,059
Loss for the year	(1,610)	(3,860)
Other comprehensive income (expense)		
Total comprehensive expense	**(1,610)**	**(3,860)**
Non-current assets	48,784	52,484
Current assets	14,181	16,455
Non-current liabilities	(4,895)	(7,458)
Current liabilities	(5,142)	(6,975)
Net assets	**52,928**	**54,506**
Equity interest	**31.8%**	**31.8%**
Equity interest at beginning of year	17,357	18,750
Adjustment for compliance with Group policies	(503)	(1,393)
Impairment losses	(8,043)	
Equity interest at end of year	**8,811**	**17,357**
Dividends received in year		

* at December 30, 2015

** at December 30, 2014

Other equity investments

This non-current asset caption reflects equity investments classified as “available-for-sale”, as required by IAS 39.

(in thousands of euro)	
At December 31, 2015	**204,387**
Acquisitions	46,144
Sales and repayments	(50,992)
Fair value changes taken to equity reserves	85,017
Others changes	393,233
Impairment losses	(15,711)
At December 31, 2016	**662,078**

The acquisitions referred to the equity investments in Banca Popolare di Milano for 13,754 thousand euro, in Banca Intesa for 2,313 thousand euro, in Coima Res for 5,000 thousand euro, in UBI for 2,653 thousand euro and in the BDT Fund for 22,424 thousand euro.

The sales referred to the partial sale of shares in Mediobanca for 16,193 thousand euro, in UBI for 2,187 thousand euro, in Coima Res for 877 thousand euro, in Ascend for 7 thousand euro, the sale of the equity investments in Banca Popolare di Milano for 13,754 thousand euro, in Banca Intesa for 2,313 thousand euro, in Unicredit S.p.A. for 14,102 thousand euro, the partial reimbursement of Banca Leonardo group for 1,402 thousand euro and of Draper for 157 thousand euro.

“Fair value changes taken to equity reserves” related essentially to securities in HeidelbergCement for +116,480 thousand euro, Mediobanca S.p.A. for -17,685 thousand euro, Fin Priv S.p.A. for -2,257 thousand euro, Emittente titoli for +1,419 thousand euro, Vontobel for +1,176 thousand euro, BDT Fund for +1,424 thousand euro and the release of the reserve for Unicredit S.p.A. for -16,054 thousand euro, Banca Leonardo group for +3,709 thousand euro, Sesaab for -3,273 thousand euro.

Impairment losses referred to Unicredit for 7,038 thousand euro, Sesaab for 4,545 thousand euro, Banca Leonardo group for 2,497 thousand euro, Coima Res for 1,447 thousand euro, Draper for 122 thousand euro, 035 Investimenti for 62 thousand euro.

“Other changes” referred mainly to the increase in HeidelbergCement shares received as partial consideration on the sale of the Italcementi group (717.6 million euro) net of the HeidelbergCement shares distributed to the savings shareholders (325.2 million euro) as a special dividend in kind under the operation to simplify the company capital structure approved by the shareholders on August 4, 2016.

Other equity investments at December 31, 2016 were as follows:

(in thousands of euro)		Number of shares	December 31, 2016
Investments in listed companies			
HeidelbergCement		5,470,771	508,805
Mediobanca		11,070,732	86,219
Vontobel		198,238	9,867
Coima Res		412,332	2,676
Cairo		189,198	713
UBI		100,000	261
	Total		**608,541**
Investments in non-listed companies and funds			
Fin Priv			16,474
Banca Leonardo group			6,010
Sesaab			1,982
BDT Fund			23,848
Others			5,223
	Total		**53,537**
At December 31, 2016			**662,078**

The fair value of listed companies is determined on the basis of the official share price on the last accounting day. The methods used to measure non-listed investments depend on the characteristics of the companies and the data available, in accordance with IAS 39.

Trade payables

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Suppliers	53,933	52,684	1,249
Other trade payables		5,531	(5,531)
Total	**53,933**	**58,215**	**(4,282)**

Loans and borrowings

Loans and borrowings are shown below by category, subdivided by current and non-current liabilities:

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Bank loans and borrowings	77,460	23,241	54,219
Other loans and borrowings		20,001	(20,001)
Finance lease payables	449		449
Non-current financial liabilities	**77,909**	**43,242**	**34,667**
Total non-current financial liabilities	**77,909**	**43,242**	**34,667**
Bank loans and borrowings	28,247	156,851	(128,604)
Current portion of borrowings	24,503	21,876	2,627
Other loans and borrowings	9,592	47,744	(38,152)
Finance lease payables	201		201
Accrued interest expense	270	241	29
Bank loans and borrowings and current financial liabilities	**62,813**	**226,712**	**(163,899)**
Fair value of derivatives	10,606	1,680	8,926
Total current financial liabilities	**73,419**	**228,392**	**(154,973)**
Total financial liabilities	**151,328**	**271,634**	**(120,306)**

Non-current loans and borrowings by currency were as follows:

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Euro	76,060	41,997	34,063
Polish zloty	1,670	904	766
Hungarian florin	22	69	(47)
Other	157	272	(115)
Total	**77,909**	**43,242**	**34,667**

Non-current loans and borrowings by maturity were as follows:

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
2017		10,266	(10,266)
2018	29,012	28,562	450
2019	22,173	3,962	18,211
2020	16,925	58	16,867
2021	9,408	50	9,358
2022	78		78
Beyond	313	344	(31)
Total	**77,909**	**43,242**	**34,667**

Main bank loans, drawings on lines of credit, available lines of credit:

a) on October 10, 2016, Mediobanca granted a securities-backed floating-rate loan for 7,122 thousand euro maturing on September 27, 2018. 120,000 HeidelbergCement AG shares were provided as collateral.

b) Italmobiliare has undrawn uncommitted lines of credit with a number of banks, totaling 208 million euro;

c) BravoSolution S.p.A. arranged a 5-year 7 million euro loan with Banca Popolare di Milano, maturing on April 30, 2018 at a floating market rate, repayable in 8 even principal payments as from October 31, 2014, and secured by BravoSolution France SAS and BravoSolution UK Ltd. shares; at December 31, 2016, long-term amounts due amounted to 0.9 million euro, the portions due in 2017 amounted to 1.7 million euro;

d) in June, BravoSolution S.p.A. arranged a five-year floating-rate loan with UBI-Banca Popolare di Bergamo for 12 million euro, maturing on June 17, 2021, repayable in 6 even equal principal payments as from December 17, 2018;

e) in July, BravoSolution S.p.A. arranged a five-year floating-rate loan with Banca Intesa for 4.5 million euro, maturing on July 30, 2021, repayable in 6 even equal principal payments as from January 31, 2019;

f) in June, Italgen S.p.A. arranged a five-year floating-rate loan with UBI Banca for 10 million euro, maturing on June 26, 2021;

g) in June, Italgen S.p.A. arranged a five-year floating-rate loan with Banco Popolare for 14 million euro, maturing on June 30, 2021;

h) on June 3, 2014, Sirap-Gema S.p.A. arranged a loan with Banca Popolare di Bergamo for 5 million euro, expiring on June 3, 2018;

i) on July 31, 2013, Sirap-Gema S.p.A. arranged a loan with Unicredit for 5 million euro, expiring on July 31, 2018;

j) on October 30, 2014, Sirap-Gema S.p.A. arranged a loan with Banca Intesa for 6 million euro, expiring on December 31, 2019;

k) on December 16, 2014, Sirap-Gema S.p.A. arranged a loan with Unicredit for 5 million euro, expiring on December 31, 2019;

l) on March 10, 2015, Sirap-Gema S.p.A. arranged a loan with Banca Poplare for 4 million euro, expiring on March 31, 2019;

m) on June 11, 2015, Sirap-Gema S.p.A. arranged a loan with Banca Popolare di Bergamo for 4 million euro, expiring on June 11, 2019;

n) on March 21, 2016, Sirap-Gema S.p.A. arranged a loan with Banca Popolare di Milano for 5 million euro, expiring on March 31, 2021;

o) on June 9, 2016, Sirap-Gema S.p.A. arranged a loan with Banca Popolare di Bergamo for 5 million euro, expiring on June 9, 2021;

p) on October 19, 2016, Sirap-Gema S.p.A. arranged a loan with Unicredit for 5 million euro, expiring on October 31, 2021;

Notional amount of derivatives

Financial risk management is an integral part of Group asset management, and is conducted by each segment on the basis of the guidelines drawn up with reference to the type of business. The Group uses derivatives to optimize its risk/yield profile.

The notional amount of derivative contracts at December 31, 2016, is set out below, subdivided by operating segment and maturity:

	Notional amounts			
(in millions of euro)	Industrial and services for industry segment	Financial and private equity segment	Other activities	Total
Derivatives on interest rates		33.5		33.5
Derivatives on exchange rates				
Derivatives on equities		229.2		229.2
Derivatives on indices		1.1		1.1
Total		**263.8**		**263.8**

	Notional amounts				
(in millions of euro)	< 1 year	1 - 2 years	2 - 5 years	> 5 years	Total
Derivatives on interest rates	33.5				33.5
Derivatives on exchange rates					
Derivatives on equities	136.8	92.4			229.2
Derivatives on indices	1.1				1.1
Total	**171.4**	**92.4**			**263.8**

Currency risk hedges and Hedge accounting

The Group has no currency risk hedge and does not use hedge accounting.

Financial risk management policy and objectives

Introduction

The Italmobiliare Board of Directors defines general Group principles and management policy for the Group Financial and private equity segment, the segment in which the parent itself operates. In the other Group segments (Industrial and services for industry segment, Other activities segment), management policy for financial risks and financial instruments is defined by the parent of each segment or by individual companies on the basis of the characteristics of the segment, and consistently with general Group principles. Specifically:

- for the Industrial and services for industry segment: by BravoSolution S.p.A., Italgen S.p.A. and Sirap Gema S.p.A.;
- for the Other activities segment: the segment does not present material financial risks and therefore does not formulate a specific policy.

For discussion of management policy and objectives in each segment, the reader is referred to the specific section.

Financial risks

Credit risk

Credit risk is the risk that a counterparty might default on its obligations and generate a financial loss for the Group.

Credit risk is managed by each segment in relation to its type of business.

Liquidity risk

Liquidity risk is the risk that due to an inability to raise new funds or sell assets on the market, the company might be unable to settle its payment obligations. This would generate effects on the profit (loss) for the year if the company were obliged to sustain additional costs to meet its commitments, or conditions of insolvency putting the company's ability to continue as a going concern at risk.

The table below shows consolidated net financial debt by maturity (without the fair value of derivatives and financial assets) compared with undrawn lines of credit and cash and cash equivalents.

At December 31, 2016:

	Maturity				
(in millions of euro)	**< 1 year**	**1 - 2 years**	**2 - 5 years**	**Beyond**	**Total**
Total financial liabilities	(62.1)	(28.6)	(48.2)	(1.8)	(140.7)
Undrawn committed lines of credit					
Cash and cash equivalents	285.5				285.5

The Group also has uncommitted lines of credit for 339.2 million euro.

At December 31, 2015:

	Maturity				
(in millions of euro)	**< 1 year**	**1 - 2 years**	**2 - 5 years**	**Beyond**	**Total**
Total financial liabilities	(247.4)	(1.8)	(20.8)		(270.0)
Undrawn committed lines of credit	(20.0)				(20.0)
Cash and cash equivalents	118.2				118.2

Total undrawn lines of credit consisted of committed lines of credit for 20.0 million euro and uncommitted lines of credit for 91.5 million euro.

Market risk

Interest-rate risk

The Group is exposed to the risk of changes in market interest rates, as follows:

- the risk of variations in the fair value of fixed-rate financial assets and liabilities. A change in interest rates affects the fair value of fixed-rate assets and liabilities;
- the risk linked to future cash flows on floating-rate financial assets and liabilities. A change in interest rates has a limited impact on the fair value of floating-rate rate financial assets and liabilities, but may affect future cash flows and profits.

In the industrial companies, management of the interest-rate risk has a dual purpose, to minimize the cost of net financial debt and reduce exposure to fluctuation.
In the financial and banking companies, interest-rate risk management is an integral part of the core business, and is based on investment and debt policies established by the governing bodies of the companies in question.
The Group may hedge interest-rate risks with derivatives such as interest-rate swaps, forward rate agreements, futures and interest-rate options arranged from time to time with leading banks.

Net financial debt at inception and after interest-rate hedging was as follows at December 31, 2016:

(in millions of euro)	
Balance at December 31, 2016	
Fixed-rate financial liabilities	21.2
Fixed-rate financial assets	(63.6)
Fixed-rate NFP at inception	**(42.4)**
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Fixed-rate NFP after hedging	**(42.4)**
Floating-rate financial liabilities	119.2
Floating-rate financial assets	(99.3)
Floating-rate NFP at inception	**19.9**
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Floating-rate NFP after hedging	**19.9**
Net fair value of derivatives	
Other instruments not subject to interest-rate risk	(471.0)
Total NFP	**(493.5)**

Currency risk

The table below details consolidated net exposure by currency, showing financial assets and liabilities denominated in currencies other than the local currency.

(in millions of euro)	euro (*)	USD (*)	Others (*)
Financial assets (**)		0.5	9.9
Financial liabilities (**)			
Net exposure by currency		**0.5**	**9.9**

(*) assets and liabilities are stated at their nominal amount in euro when the local currency is not euro
(**) excluding trade payables and receivables

The Group companies are structurally exposed to a currency risk on cash flows from operating activities and on financing activities denominated in currencies other than their respective functional currencies.

The impact of currency translation on the subsidiaries' equity is recorded in a separate equity reserve.

Equity price risk

The Group is exposed to the risk of market fluctuations on listed equities and other securities in portfolio.

Exposure is essentially in the Financial and private equity segment, to which reference should be made for further details.

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Available-for-sale equity investments	680,541	165,820	514,721
Trading securities	35,435		35,435
Overall exposure	**715,976**	**165,820**	**550,156**

Commodity price risk

The Group is exposed to a commodity price risk on the raw materials and energy products used by the Industrial and services for industry segment.
These risks are managed by the individual segments, through diversification of procurement sources.

E-procurement

This sub-segment is exposed to the following risks arising from use of financial instruments:
- credit risk;
- liquidity risk;
- market risk.

Information about group exposure to each of the listed risks, the goals and processes of risk management policy and the methods used to assess risk is provided below.

Credit risk

Credit risk is the risk that a customer or a counterparty to a financial instrument might default on its obligations and generate a financial loss; the risk arises largely on trade receivables.
In compliance with sub-segment procedures, customers are preliminarily vetted for creditworthiness.
In addition, receivable balances are monitored on an ongoing basis by the administrative department to highlight delays in payment, issue appropriate reminders and if necessary take action to recover overdue amounts.
Concentrations of trade credit risks are limited by virtue of the sub-segment's broadly based and uncorrelated customer portfolio, over different geographical regions and consisting of both private-sector companies and public-sector agencies and entities.
Allowances for impairment are quantified in relation to bad and doubtful receivables and provided mainly with regard to the most overdue amounts.

Liquidity risk

Liquidity risk is the risk that the sub-segment may encounter difficulties in fulfilling its financial obligations.
The sub-segment's financial debt substantially consists of a line of credit available to a non-Italian subsidiary, three medium/long-term loans granted to the parent by Banca Popolare di Milano, UBI-Banca Popolare di Bergamo and Banca Intesa and a number of short-term lines of credit. The sub-segment has its own cash and cash equivalents.
At the present time, financial management does not require recourse to additional lines of credit.

Market risk

Market risk is the risk of fluctuation in the fair value or future cash flows of a financial instrument due to changes in market prices caused by variations in exchange rates and interest rates. The aim of market risk management is to keep exposure to the risk within acceptable limits and, at the same time, to optimize return on investment.

Interest-rate risk

The sub-segment does not present material interest-rate risks.
Financial assets consist largely of bank current account balances or short-term cash investments regulated at floating market rates.
Financial liabilities consist of a short-term line of credit at BravoSolution US, the three above-mentioned medium/long-term loans and a number of drawings on short-term lines of credit, all regulated at a floating market rate. A 100-bp change in the interest rate could generate an increase of approximately 132 thousand euro in net finance costs, i.e., an immaterial change in finance costs.

Currency risk

The sub-segment is not exposed to significant currency risks.
The financial statements of the sub-consolidation and of the parent are denominated in euro. Some companies in the sub-segment conduct their business and report in currencies other than the euro (mainly US dollars – or currencies tied to the dollar – and British pound).
The financial assets and liabilities of the sub-segment companies are denominated for the most part in euro or in the local currencies in which the companies operate, and therefore are substantially not exposed to currency risk.
The trade assets and liabilities of the sub-segment companies are almost entirely denominated in local currency, and therefore are substantially not exposed to currency risk.
Assets and liabilities not denominated in local currency are denominated for the most part in euro, and therefore are not exposed to currency risk at sub-consolidation level.
The impact on consolidated equity of a 10% change in the dollar/euro exchange rate would be a reduction of approximately 2.1% in the event of an appreciation of the euro and an increase of approximately 2.6% in the event of an appreciation of the dollar.

Covenants

BravoSolution S.p.A. has three loans, described in the comments on loans and borrowing.
The loans are subject to covenants, as follows:

	Ebitda/net interest	NFP/Equity	NFP/Ebitda
Banca Popolare di Milano loan		</= 0.28	</= 0.79
Banca Intesa loan			< 3
UBI-Banca Popolare di Bergamo loan	< 3	</= 0.5	< 2

The covenants computed on the financial statements as at and for the year ended December 31, 2016 were below the agreed thresholds, with the exception of a parameter relating to the BPM loan. This temporary deviance did not however justify a request for early repayment under the conditions of the contract, but simply involved a change in the interest rate. The covenants relating to the UBI loan will come into force in 2017.

Energy

This sub-segment is exposed to the following risks arising from use of financial instruments:

- credit risk;
- market risk.

Information about group exposure to each of the listed risks, the goals and processes of risk management policy and the methods used to assess risk is provided below.

Credit risk

The group is exposed to a limited credit risk, since its customers are vetted for creditworthiness, both on a preliminary basis and during the life of the credit, through monitoring of receivable balances by the administrative department.

Market risk

Market risk is the risk of fluctuation in the fair value or future cash flows of a financial instrument due to changes in market prices caused by variations in exchange rates and interest rates. The aim of market risk management is to keep segment exposure to the risk within acceptable limits and, at the same time, to optimize investment yields.

Interest-rate risk

In 2016 Italgen S.p.A. was fully spun off from the Italcementi group, and consequently no longer has access to the Italcementi S.p.A. line of credit regulated on an intercompany current account basis; Italgen S.p.A. therefore refinanced all debt by arranging medium-term loans with two financial counterparties.
The loans were arranged at floating rates indexed to 3- and 6-month Euribor.
One of the two loan contracts includes covenants requiring compliance with financial indicators typically determined on an annual basis. The reference indicator is leverage (gross financial debt net of cash and cash equivalents / gross operating profit), with a top limit of 4.5. Failure to comply with covenants leads to termination and consequent early repayment, although the covenants include a stand-by period prior to actual execution. Italgen S.p.A. complied with the covenants at December 31, 2016.
At December 31, a Euribor increase of 1% in the reference rates would have had an impact of approximately 200 thousand euro. A decrease in the already negative reference rates would not have had any impact given the 0% floor on the reference Euribor rate.

Currency risk

Italgen S.p.A. operates in some emerging countries (Egypt and Morocco) through subsidiaries, some of which have financial assets denominated in currencies other than the local currency, with no hedges. Adverse political or economic developments in those regions could have a negative impact on the company’s prospects and operations, and on its results of operations and financial position.

Food packaging

Risk management policy

In order to adopt a uniform financial risk management policy for the Sirap group, on July 31, 2013, the Sirap Gema S.p.A. Board of Directors approved the Italmobiliare Group's "Financial Resources Management Regulation: structure of investment process governance and portfolio constraints", to be extended to all companies it controls directly and indirectly in the food packaging sub-segment. An update to the regulation was issued on December 6, 2013, and was adopted by the Board of Directors on February 28, 2015.

Objectives

The objective of the above policy is to reduce the financial risks to which the Sirap group is exposed in its operations, by indicating application procedures, instruments and limits.
Since the Sirap group's activities are mainly business operations in food packaging, use of instruments will be limited to hedging risks associated with its core business, excluding speculative policies or policies designed purely to maximize financial profit.

Financial instruments

The financial instruments adopted in the sub-segment are intended solely to provide the sub-segment with the funds required to conduct its core business. Consequently, amounts, terms and conditions of financial instruments are designed to meet the needs of the operations to which they refer.

Financial risk management

Credit risk

The sub-segment is exposed to credit risk on sales of products and services on its core markets.

Its policy sets out criteria for establishing customer creditworthiness, credit limits and risk containment measures.
The policy also assigns responsibility for approving amounts in excess of such limits and for drafting management reports.

An analysis of overdue receivables for the main companies in the Sirap Gema consolidation produced the following due date situation:

(in millions of euro)	0-30 days	31-60 days	61-90 days	more than 90 days	Total
Sirap Gema	3.6	0.1			3.7
Sirap Gema France	1.8	0.1		0.5	2.4
Sirap Gema Remoulins	0.1				0.1
Inline Poland	0.5	0.1		0.1	0.7
Total	**6.0**	**0.3**		**0.6**	**6.9**

Total non-overdue trade receivables stood at 46.6 million euro.

Since Sirap group trade receivables refer in the main to leading Italian and international mass merchandisers and to food and building material distributors, non-overdue receivables are not analyzed by debtor ratings; the probability of material solvency risks may be reasonably excluded. Individual cases are systematically reviewed and a specific allowance set aside where necessary.

The generic risk on overall credit exposure is determined on a statistical basis, considering historical annual insolvency and losses, correlated with average uncollectibility percentages computed in relation to the age of the receivable.

Movements on the allowance for impairment of trade receivables in 2016 were as follows:

(in millions of euro)	Opening balance	Additions	Utilization	Closing balance
Sirap Gema	1.1		(0.2)	0.9
Sirap Gema France	0.4		(0.1)	0.3
Inline Poland	0.1			0.1
Petruzalek group	1.5			1.5
Total	**3.1**		**(0.3)**	**2.8**

As part of action taken to contain the credit risk, during the year credit control committees continued to operate in almost all the Sirap group companies; the committees conduct monthly reviews and analyses of situations at greatest risk; during the year, credit insurance policies were taken out by Sirap Gema S.p.A. in the manner deemed appropriate.

Liquidity risk

The Sirap group is exposed to a liquidity risk (the risk of being unable to meet its financial obligations) on its net financial debt.

Its policy provides criteria for definition of financing amounts, terms and conditions, in relation to conditions on the markets on which it operates.

In the Sirap group, borrowings have been set up with financial covenants.

The subsidiary Inline Poland Sp z.o.o. has access to three loans with financial covenants:

- an 874 thousand euro loan maturing on December 31, 2018;
- a 1,089 thousand euro loan maturing on January 31, 2027;
- a 441 thousand euro loan maturing on August 31, 2027;

The contracts envisage covenants on: total annual turnover, percentage net return, current ratio, ratio between current receivables and investments and current liabilities; the first of the three loans did not comply with this last covenant, but no reclassifications or penalties arose as a result. The covenants on the first loan are being aligned with those on the two new loans arranged in 2016.

Market risk

Interest rate risk

This is the risk of changes in the value of or future cash flows on a financial instrument, due to changes in interest rates.

The policy sets out criteria and procedures to mitigate/neutralize the interest-rate risk, that is, to minimize the difference between interest income and expense rates in relation to operating requirements, taking into account that since the group is structurally in debt, the presence of liquidity may only be temporary.

Currency risk

The group is exposed to currency risk largely with regard to the East European currencies.
In 2016, some currencies, notably the Ukrainian hryvnia, depreciated against the euro compared with 2015.
The policy sets out criteria and procedures to mitigate/neutralize the effects, and instruments and limits on use of hedging derivatives.

Other price risks

This category includes risks related to fluctuations in market prices, which may have a material impact on the value or future cash flows of the operating companies.

Specifically, the group is exposed mainly to price fluctuations on polymer raw materials and energy, which rose during 2016. The increase was particularly significant for polymer raw materials.
The prices of these production factors and the related market indicators are monitored continually to mitigate risks and negative effects on performance wherever possible.

Generally speaking, the risk category also includes the value of equity investments in operating companies (equity risk). In view of the fact that investment in new markets to achieve business growth is a strategic objective in this group, exposure to equity risk on investments in operating companies is maintained and the policy does not envisage specific criteria to reduce risk.

Financial and private equity segment

Risk management policies

Introduction

The document "Financial Resources Management Regulation" (the "Regulation") sets out general strategic guidelines and investment regulations governing management of resources in the financial segment.

Objectives

In this segment, management of financial risk is an opportunity to generate profits within the constraints established for the purposes of careful and prudent management of financial resources.

Financial instruments

The Regulation defines the types of financial instruments allowed, maximum amounts, counterparties, procedures and approval models.

Derivatives may be used both as risk management instruments and as instruments relating to market positioning. The Regulation is particularly restrictive with regard to the types of transaction allowed and approval and control processes.

Credit risk

Italmobiliare and the companies in the segment are exposed to credit risk with respect to issuers of financial instruments and counterparties to financial transactions.

The Regulation establishes minimum rating levels for individual investments (where applicable), for type of instrument, for rating class and maximum exposure in relation to individual counterparties.

The Regulation sets out management procedures for approving amounts in excess of such limits. A monitoring and reporting system has also been established for senior management.

The segment is not exposed to material trade credit risks.
The table below illustrates the level of credit risk exposure for each instrument (bonds, deposits, other financial assets) and with respect to the counterparties to derivatives.

(in millions of euro)	Fair Value	Average rating	Average outstanding life (in years) (*)
Trading bonds	72.1	Aa1	4.79
Available-for-sale bonds	52.4	Aaa	< 1
Deposits	261.5	n/a	n/a
Other financial assets	0.7	n/a	n/a
Interest-rate derivatives	47.2	n/a	< 1

Assuming a parallel shift of +100 bps in the credit curve, the estimated overal change in the fair value of financial instruments would be -2.8 million euro, of which -2.6 million euro in the income statement and -0.2 million euro in the statement of financial position.

Deposits are subject to counterparty risk, but a +100 bp shift in the curve would not have an impact on the amount thereof.

Other financial assets and derivatives are excluded from the sensitivity analysis since their fair value does not depend on the creditworthiness of the counterparty.

Liquidity risk

Risk management policy in the Financial and private segment is designed to optimize financial resources through effective management (in terms of maturities, costs and liquidity) of the segment's assets and liabilities.

Regular reports are drawn up for top management analyzing the net financial position trend and risk of each company in the segment and of the segment as a whole. A daily financial asset measurement and performance report is also available, drawn up by the depositary bank.

The table below sets out debt by maturity (residual life) compared with financial assets and undrawn lines of credit.

	Maturity				
(in millions of euro)	**< 1 year**	**1 - 2 years**	**2 - 5 years**	**Beyond**	**Total**
Total financial liabilities	(11.3)	(7.1)		(0.7)	**(19.1)**
Total financial assets	443.9	10.1	21.6	124.9	**600.5**
Total NFP	**432.6**	**3.0**	**21.6**	**124.2**	**581.4**
Undrawn committed lines of credit					

Short-term drawings on committed lines of credit are reclassified on expiry of the respective facility.

Undrawn uncommitted lines of credit stand at 208.0 million euro.

Market risk

Interest rate risk

Fluctuations in interest rates affect the fair value of financial assets and liabilities and the level of net finance costs.

Regular reports are drawn up analyzing asset and liability management.

The table below illustrates the net financial position of the segment at December 31, 2016, and exposure to interest-rate risk; reference should be made to the specific note for a detailed analysis of the net financial position.

(in millions of euro)	
Balance at December 31, 2016	
Fixed-rate financial liabilities	
Fixed-rate financial assets	(53.8)
Fixed-rate NFP at inception	**(53.8)**
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Fixed-rate NFP after hedging	**(53.8)**
Floating-rate financial liabilities	7.8
Floating-rate financial assets	(85.1)
Floating-rate NFP at inception	**(77.3)**
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Floating-rate NFP after hedging	**(77.3)**
Assets not exposed to interest-rate risk	(461.5)
Liabilities not exposed to interest-rate risk	11.2
Total NFP	**(581.4)**

Floating-rate assets include cash and cash equivalents, amounts due from Group companies and floating-rate bonds; fixed-rate liabilities include loans and borrowings from third parties and Group companies.

A sensitivity analysis was performed to determine the change in the fair value of the total net financial position caused by an instantaneous shift of 100 bp in forward interest rates (assuming a parallel shift in the curve). Modified Duration was used as the sensitivity criterion.

The analysis found an overall estimated change of -3.4 million euro, arising from -1.4 million euro on the income statement and -2.0 million euro on the statement of financial position.

On demand and time deposits, an instantaneous shift in the curve would not generate an automatic effect on the income statement.

Symmetrical results would be generated by an instantaneous parallel downward shift in the rate curve.

Currency risk

The Regulation places a material limitation on exposure to currency risk. Currency positions are limited and used with the objective of de-correlating the risk of traditional financial assets in the liquidity management portfolio.

Other price risks

Italmobiliare and the Financial and private equity segment in general are particularly exposed to the risk of fluctuations in the prices of listed equities carried at fair value.

Since Italmobiliare is a holding company, exposure to the equity risk is inherent to its core business. In some cases, for limited amounts, the Policies set out procedures and approvals for the use of derivatives to reduce this risk.

At December 31, 2016, listed assets exposed to price risk amounted to 643.9 million euro, of which 608.5 million euro classified as “available-for-sale” and 35.4 million euro classified as trading equities.
A hypothetical reduction of 5% in share prices would have a negative impact on the asset fair value of 32.2 million euro, of which 30.3 million euro on equity and 1.9 million euro on the income statement.

(in millions of euro)	Fair Value	Share price delta	Impact on income statement	Impact on equity
Held-for-trading equities	35.4	-5%	(1.8)	
Available-for-sale equities	608.5	-5%	(0.1)	(30.3)

Transactions with related parties

Transactions with related parties in 2016 were not significant. They are detailed in the table below:

(in thousands of euro)	Revenue (expense)	Trade receivables (payables)	Financial assets (liabilities)	Finance income (costs)	Other operating income (expense)
Italmobiliare Group					
Subsidiaries and associates not fully consolidated	8,145			67	
	(6,481)				
Subsidiaries of associates	24				
	(1,485)				(87)
Other related parties	68				83
	(1,303)	(921)			(10,900)
Total	**8,237**			**67**	**83**
	(9,269)	**(921)**			**(10,987)**
% impact on financial statement items	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.

The impact on the financial statement captions is not shown due to the inconsistency between numerator (transactions with related parties with all group companies) and the numerator (IFRS 5 financial statement data not including assets held for sale).

The comparatives for 2015 are set out below:

(in thousands of euro)	Revenue (expense)	Trade receivables (payables)	Financial assets (liabilities)	Finance income (costs)	Other operating income (expense)
Italmobiliare Group					
Subsidiaries and associates not fully consolidated	33,832	27,661	46,532	161	179
	(19,239)	(16,164)	(41,020)	(1)	
Other related parties	116	87			53
	(1,664)	(91)			(900)
Total	**33,987**	**27,764**	**46,532**	**580**	**232**
	(23,120)	**(16,397)**	**(41,020)**	**(1)**	**(900)**
% impact on financial statement items	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.

During 2016, the Italmobiliare Group made an endowment of 900 thousand euro to the Fondazione Italcementi Cav. Lav. Carlo Pesenti foundation of 10,900 thousand euro.

The percentage impact of the above-mentioned transactions with related parties on cash flows was negligible.

Remuneration of key management personnel

The table below sets out amounts accrued during the year by key management personnel: the directors, the chief operating officer and the Italmobiliare S.p.A. manager in charge of financial reportig, for positions held in the Group:

(in thousands of euro)	2016	2015
Short-term benefits: fees and remuneration	16,460	13,167
Post-employment benefits: provision for Italian post-employment benefits and end-of-term entitlements		644
Other long-term benefits: length-of-service bonuses and incentives	1,065	2,969
Share-based payments	165	
Total	**17,690**	**16,780**

Non-recurring transactions

The following tables itemize the most significant non-recurring transactions and their impact on the Group's equity, financial position and results of operations:

	2016					
(in thousands of euro)	Equity		Profit (loss) for the year		Net financial position (debt)	
	amount	%	amount	%	amount	%
Carrying amounts	**1,334,167**		**68,209**		**493,461**	
Net gains from the sale of non-current assets	(34)	0.00%	(34)	0.05%		
Non-recurring personnel expense for re-organizations	(58)	0.00%	(58)	0.09%		
Income (expense) on distribution to shareholders	(523,931)	39.27%	71,769	105.22%	(126,913)	-25.72%
Other non-recurring income (expense)	(10,267)	0.77%	(10,267)	15.05%	(300)	0.06%
Tax on non-recurring transactions						
Total	**(534,290)**	**40.05%**	**61,410**	**90.03%**	**(127,213)**	**25.78%**
Figurative amount without non-recurring transactions	**1,868,457**		**6,799**		**620,674**	

	2015					
(in thousands of euro)	Equity		Profit (loss) for the year		Net financial position (debt)	
	amount	%	amount	%	amount	%
Carrying amounts	**4,329,475**		**54,787**		**55,650**	
Net gains from the sale of non-current assets	10	0.00%	10	0.02%		
Non-recurring personnel expense for re-organizations	(124)	0.00%	(124)	0.23%		
Other non-recurring income (expense)	(34,848)	0.80%	(34,848)	63.61%	(300)	0.54%
Tax on non-recurring transactions						
Total	**(34,962)**	**0.81%**	**(34,962)**	**63.81%**	**(300)**	**0.54%**

Audit fees

The table below sets out details of the fees paid in financial year 2016 by the Italmobiliare Group to the independent auditors KPMG and the foreign companies of the KPMG network, pursuant to CONSOB Resolution May 14, 1999, no.11971, art. 149-duodecies, par 1:

(in thousands of euro)	KPMG S.p.A.	Other Italian companies in the KPMG network	Other foreign companies in the KPMG network
Audit services	545		219
Other attestation services	10		5
Other legal, tax and corporate services	68	87	410
Total	**623**	**87**	**634**

Statement of cash flows

B) Cash flow from investing activities

The table below itemizes the main equity investments made by the Group in 2016:

(in millions of euro)	2016	2015
BDT Fund	22.4	
Private equity funds	74.8	
Clessidra	18.8	
Banca Popolare di Milano	13.7	
Coima Res	5.0	
Rosa Plast	4.2	
Poridium	2.7	
Ubi	2.7	
Intesa	2.3	
Vontobel		9.2
Aksia		2.5
Sirap Gema Remoulins		0.3
Tri Alfa		0.2
Others		0.1
Total	**146.6**	**12.3**

Equity investments are shown net of the cash and cash equivalents of the companies acquired and the change in payables for equity investment acquisitions.

Events after the reporting date

No significant events have taken place since the reporting date.

Annex

Annex

The table below sets out equity investments held in companies when such investments exceed 10% of voting capital. It also indicates the consolidation method and non-controlling interests.

Company	Registered office		Share capital		Interest held by Group companies				Method	Non-controlling interests
					Direct	Indirect	%			
Parent										
Italmobiliare S.p.A.	Milan	I	€	100,166,937.00						
Atmos Venture S.p.A. winding up	Milan	I	€	880,040.00	10.13		10.13	Italmobiliare S.p.A.	Cost	
B2E Markets France S.A.R.L.	Paris	F	€	20,000.00	-	100.00	100.00	BravoSolution US, Inc.	Line-by-line	17.26
BravoBus S.r.l.	Bergamo	I	€	600,000.00	-	100.00	100.00	BravoSolution Italia S.p.A.	Line-by-line	17.26
BravoSolution APAC Pty.Ltd.	Sydney	AUS	AUD	10.00		100.00	100.00	BravoSolution S.p.A.	Line-by-line	17.26
BravoSolution Benelux B.V.	Amsterdam	NL	€	50,000.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line	17.26
BravoSolution Brasil Serviços de Tecnologia Ltd	Sao Paulo	BR	BRL	500,000.00	-	99.99	99.99	BravoSolution Mexico S.r.l. de C.V.	Line-by-line	17.27
BravoSolution China Co. Ltd	Shanghai	PRC	RMB	15,000,000.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line	17.26
BravoSolution Espana S.A.	Madrid	E	€	165,000.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line	17.26
BravoSolution France S.a.s.	Boulogne Billancourt	F	€	3,254,150.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line	17.26
BravoSolution GmbH	Munich	D	€	3,000,000.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line	17.26
BravoSolution Group Management	Chicago	USA	USD	1.00		100.00	100.00	BravoSolution S.p.A.	Equity	
BravoSolution Italia S.p.A.	Bergamo	I	€	10,000,000.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line	17.26
BravoSolution Mexico S.r.l. de C.V.	Mexico City	MEX	MXN	3,200,000.00	-	100.00	99.97	BravoSolution S.p.A.	Line-by-line	17.26
							0.03	BravoSolution Espana S.A.		
BravoSolution Nordics OY	Helsinki	SF	€	100,000.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line	17.26
BravoSolution S.p.A.	Bergamo	I	€	32,286,398.00	82.74	-	82.74	Italmobiliare S.p.A.	Line-by-line	17.26
BravoSolution UK Ltd	London	GB	GBP	50,000.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line	17.26
BravoSolution US, Inc.	Malvern	USA	USD	1.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line	17.26
BravoSolution Technologies Ltd	London	GB	GBP	133.00	-	100.00	100.00	BravoSolution US, Inc.	Line-by-line	17.26
Burgo Group S.p.A.	Altavilla Vicentina	I	€	205,443,391.40	-	11.68	11.68	Franco Tosi S.r.l.	Fair Value	
Clessidra Società di Gestione del Risparmio S.p.A.	Milan	I	€	3,000,000.00	99.00		99.00	Italmobiliare S.p.A.	Line-by-line	1.00
CJSC INLINE-R	Moscow	RU	RUB	30,230,640.00		23.99	23.99	Inline Poland Sp. z.o.o.	Cost	
Compagnia Fiduciaria Nazionale S.p.A.	Milan	I	€	90,000.00	16.67	-	16.67	Italmobiliare S.p.A.	Fair Value	
Crédit Mobilier de Monaco S.A.	Montecarlo	MC	€	5,355,000.00	-	99.91	99.91	Franco Tosi S.r.l.	Line-by-line	0.09
Eco Park Wind Power	Sofia	BG	BGN	5,000.00		100.00	100.00	Gardawind S.r.l.	Equity	
Finimage 15 Sagl	Lugano	CH	CHF	20,000.00		100.00	100.00	Franco Tosi S.r.l.	Line-by-line	0.00
Fin.Priv. S.r.l.	Milan	I	€	20,000.00	14.28	-	14.28	Italmobiliare S.p.A.	Fair Value	
Franco Tosi S.r.l.	Milan	I	€	260,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line	0.00
Gardawind S.r.l.	Vipiteno (BZ)	I	€	100,000.00	-	49.00	49.00	Italgen S.p.A.	Equity	
Haekon Eood	Sofia	BG	BGN	5,000.00		100.00	100.00	Gardawind S.r.l.	Equity	
i.FotoGuiglia S.r.l.	Milan	I	€	14,290.00	-	30.00	30.00	Italgen S.p.A.	Equity	
ICS Petruzalek Srl	Chisinau	MD	MDL	81,518.50	-	100.00	100.00	Petruzalek Com S.r.l. (Romania)	Line-by-line	0.00
Immobiliare Lido di Classe S.r.l.	Rome	I	€	255,000.00	18.04	-	18.04	Italmobiliare S.p.A.	Cost	
Inline Poland Sp. z.o.o.	Murowana Goslina	PL	PLN	3,846,000.00	-	100.00	100.00	Sirap Gema S.p.A.	Line-by-line	0.00
Italgen Gulf El Zeit for Energy S.A.E.	Cairo	EGY	LE	35,000,000.00		98.00	98.00	Italgen S.p.A.	Line-by-line	2.00
Italgen Maroc Ener S.A.	Casablanca	MAR	MAD	39,100,000.00	-	99.99	99.99	Italgen S.p.A.	Line-by-line	0.01
Italgen Maroc S.A.	Casablanca	MAR	MAD	1,800,000.00	-	100.00	99.99	Italgen S.p.A.	Line-by-line	0.00
							0.01	Italmobiliare Servizi S.r.l.	Line-by-line	
Italgen Misr for Energy SAE	Cairo	EGY	LE	65,000,000.00	-	98.00	98.00	Italgen S.p.A.	Line-by-line	2.00
Italgen S.p.A.	Bergamo	I	€	20,000,000.00	100.00		100.00	Italmobiliare S.p.A.	Line-by-line	0.00
Italmobiliare Servizi S.r.l.	Milan	I	€	3,520,000.00	100.00		100.00	Italmobiliare S.p.A.	Line-by-line	0.00
Mesomarket Eook	Sofia	BG	BGN	5,000.00		100.00	100.00	Gardawind S.r.l.	Equity	
Petruzalek Ltd (Turkey)	Istanbul	TR	TRY	2,806,000.00	-	100.00	99.86	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	0.00
							0.14	Petruzalek Com S.r.l. (Romania)		
Petruzalek e.o.o.d. (Bulgaria)	Sofia	BG	BGN	5,000.00	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	0.00
Petruzalek Com S.r.l. (Romania)	Ilfov Chiajna	RO	RON	6,374,380.00	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	0.00
Petruzalek d.o.o. (Croatia)	Zabok	HR	HRK	129,500.00	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	0.00
Petruzalek d.o.o. (Serbia)	Zemun (Batajnica)	RS	€	1,066,060.09	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	0.00
Petruzalek d.o.o. (Slovenia)	Maribor	SI	€	9,959.08	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	0.00
Petruzalek Gesellschaft mbH (Austria)	Tattendorf	AT	€	1,000,000.00	-	100.00	99.00	Sirap Gema S.p.A.	Line-by-line	0.00
							1.00	Sirap Remoulins S.A.S.		
Petruzalek Kft (Hungary)	Budapest	HU	HUF	300,000,000.00	-	100.00	75.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	0.00
							25.00	Petruzalek spol. S.r.o. (Czech Republic)		

Company	Registered office		Share capital		Interest held by Group companies				Method	Non-controlling interests
					Direct	Indirect	%			
Petruzalek o.o.o. (Ukraine)	Odessa	UA	UAH	214,831.00	-	90.00	90.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	10.00
Petruzalek d.o.o. winding up (Bosnia)	Sarajevo	BA	BAM	10,000.00	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	0.00
Petruzalek S.r.o. (Slova kia)	Bratislava	SK	€	15,269.20	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	0.00
Petruzalek S.r.o. (Czech Republic)	Breclav	CZ	CZK	2,300,000.00	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	0.00
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milan	I	€	1,300,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line	0.00
Rosa Plast Due S.r..l.	Bovezzo	I	€	15,000.00		100.00	100.00	Sirap Gema S.p.A.	Line-by-line	0.00
Sirap France SAS	Noves	FR	€	3,520,000.00	-	100.00	100.00	Sirap Gema S.p.A.	Line-by-line	0.00
Sirap Gema S.p.A.	Verolanuova (BS)	I	€	5,000,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line	0.00
Sirap Remoulins S.A.S.	Remoulins	FR	€	500,000.00		100.00	100.00	Sirap France S.A.S.	Line-by-line	0.00
S.E.S. Società Editrice Sud S.p.A	Messina	I	€	10,695,505.08	29.36	-	29.36	Italmobiliare S.p.A.	Equity	
Société d'Etudes de Participations et de Courtages S.A.	Montecarlo	MC	€	1,290,000.00	-	99.98	99.98	Franco Tosi S.r.l.	Line-by-line	0.02
TejariSolution FZ LLC	Dubai	EAU	AED	100,000.00	-	51.00	51.00	BravoSolution S.p.A.	Line-by-line	57.80
Universal Imballaggi Sr.l.	Palermo	I	€	1,731,588.00	-	92.64	92.64	Sirap Gema S.p.A.	Line-by-line	7.36

(Translation from the original Italian text)

Statement pursuant to art. 154-bis.5 of the Italian Consolidated Finance Act (TUF) regarding the consolidated financial statements pursuant to art. 81-ter of the Consob Regulation no. 11971 of May 14, 1999 and subsequent modifications and integrations

1. The undersigned Carlo Pesenti, Chief Executive Officer and Guido Biancali, Manager in charge of financial reporting of Italmobiliare S.p.A., also taking into consideration art. 154-bis, paragraphs 3 and 4, of the Legislative Decree February 24th, 1998, no. 58, do hereby certify:
   - the adequacy in relation to the company structure and
   - the actual application,

   of the administrative and accounting procedures adopted for the preparation of the **consolidated financial statements**, in the period from January 1st, 2016 to December 31st, 2016.

2. The assessment of the adequacy of the administrative and accounting procedures adopted for the preparation of consolidated financial statements as of December 31st, 2016 is based on a model identified by Italmobiliare according to the CoSO framework (illustrated in the *CoSO Report*) and also takes into account the document "*Internal Control over Financial Reporting – Guidance for Smaller Public Companies*", both issued by the Committee of Sponsoring Organizations of the Treadway Commission representing a generally accepted international framework.

3. It is also certified that:

   3.1 the consolidated financial statements as of December 31st , 2016:

   a) were prepared in compliance with applicable international financial reporting standards recognised by the European Community pursuant to European Parliament and Council Regulation no. 1606/2002 of July 19th, 2002;
   b) correspond to the accounting books and entries;
   c) are suitable to provide a true and fair presentation of the equity, income and financial situation of Italmobiliare S.p.A. and the companies included in the consolidation area;

   3.2 the annual directors' report includes a reliable analysis of the business trend and the operational results of Italmobiliare S.p.A. and the companies included in the consolidation area, together with a description of the main risks and uncertainties to which they are exposed.

Signed by: Carlo Pesenti, Chief Executive Officer
Signed by: Guido Biancali, Manager in charge of financial reporting

March 2nd, 2017

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Italmobiliare S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Italmobiliare Group, which comprise the statement of financial position as at 31 December 2016, the income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of Italmobiliare S.p.A. are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give true and fair view of the financial position of Italmobiliare Group as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and ownership structure with the consolidated financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the specific section on corporate governance and ownership structure included in the directors' report on the separate financial statements of Italmobiliare S.p.A., required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the Italmobiliare S.p.A. directors, with the consolidated financial statements of Italmobiliare Group. In our opinion, the directors' report and the information presented in the specific section on corporate governance and ownership structure included in the directors' report on the separate financial statements of Italmobiliare S.p.A. referred to above are consistent with the consolidated financial statements of Italmobiliare Group as at and for the year ended 31 December 2016.

Milan, 22 March 2017

KPMG S.p.A.

(signed on the original)

Luisa Polignano
Director of Audit

Italmobiliare S.p.A.

Directors' report

The changes in the key standards and regulations compared to 2015 are detailed in the notes in the section "Statement of compliance with the IFRS". In accordance with the provisions of European Union Regulation 1606/2002, the principles to be adopted do not include the standards and interpretations published by the International Accounting Standards Board (IASB) and by the International Financial Reporting Interpretations Committee (IFRIC) at December 31, 2016, but not endorsed by the European Union at that date. Furthermore, the European Union has endorsed additional standards/interpretations that Italmobiliare S.p.A. will apply at a subsequent time, having decided not to elect early application.

Performance indicators

To assist understanding of its financial data, Italmobiliare S.p.A. employs a number of widely used indicators, which are not contemplated by the IFRS.

In particular, the income statement presents the following intermediate indicators/results: gross operating profit (loss), operating profit (loss), computed as the sum of the preceding items. On the statement of financial position, similar considerations apply to net financial debt, whose components are detailed in the specific section of the notes relating to IFRS 7.

Since the indicators employed by the company are not required by the IFRS, their definitions may not coincide with and therefore not be comparable to those adopted by other companies/groups.

In the notes, the section on IFRS 7 provides information on the effects of changes in interest rates and share prices on the financial position and results of operations.

General overview

Performance

Conditions on the international financial markets improved, after the tensions created by the outcome of the United Kingdom's Brexit referendum, which had a particularly adverse effect on the Italian stock market. In the fourth quarter of 2016, Italian share prices made a recovery, especially among bank stocks, which were particularly weakened by the publication of the recent European stress tests pointing to continuing concerns over the profitability of the system. Italian treasury bond yields also picked up, especially those with maturities of more than twelve months, reflecting the rise in the corresponding yields on US and European instruments.

In the advanced countries, the accommodating stance of monetary policies assisted an upturn in investments, leading to a decrease in volatility and a generalized increase in financial market prices. The emerging countries also saw an improvement in financial conditions largely thanks to an easing of fears over growth in China and rising energy prices.

This financial context and the positive results achieved thanks to the non-recurring transactions completed in 2016 enabled Italmobiliare S.p.A. to report a profit for the year of 759.8 million euro (19.5 million euro in 2015).

Condensed income statement

(in thousands of euro)	2016	2015	Change
Revenue and income	**856,064**	**49,601**	**806,463**
of which:			
Dividends	*6,495*	*34,184*	*(27,689)*
Gains on equity investments and securities	*834,768*	*5,499*	*829,269*
Interest income and other finance income	*1,364*	*1,677*	(313)
Services	*13,437*	*8,241*	5,196
Gross operating profit [1]	**791,142**	**14,909**	**776,233**
Amortization and depreciation	(300)	(57)	(243)
Operating profit [2]	**790,842**	**14,852**	**775,990**
Finance income (costs)	(46)	(26)	(20)
Impairment losses on financial assets	(19,536)	(324)	(19,212)
Profit before tax	**771,260**	**14,502**	**756,758**
Income tax (expense)	(11,431)	5,021	(16,452)
Profit for the year	**759,829**	**19,523**	**740,306**

[1] Gross operating profit (loss) is the difference between revenue and costs excluding amortization and depreciation, impairment losses on non-current assets, finance income (costs) and income tax.

[2] Operating profit (loss) corresponds to the preceding caption with the inclusion of amortization and depreciation.

As illustrated in the directors' report on Group operations, the results of Italmobiliare S.p.A. were positively affected by the extraordinary events of 2016: the sale of the equity investment held in Italcementi to the German group HeidelbergCement AG and the simplification of the capital structure through distribution of a special dividend exclusively to the savings shareholders and the simultaneous mandatory conversion of savings shares into ordinary shares.

Revenue and income amounted to 856.1 million euro (49.6 million euro in 2016) and arose mainly from the aforementioned transactions: Specifically:

- the sale of the equity investment held in Italcementi to the German group HeidelbergCement AG, completed on July 1, 2016, generated a net gain of 754.5 million euro;
- the distribution of HeidelbergCement AG shares as a dividend to the savings shareholders, under the operation to simplify the capital structure, generated a gain of 71.8 million euro.

During the year, Italmobiliare recorded additional gains of 8.3 million euro from the sale of equities (5.4 million euro in 2015), relating largely to bank stocks. There was a significant reduction in the year's dividends to 6.5 million euro compared with 34.2 million euro in 2015, due to the absence of dividends from the subsidiaries Franco Tosi S.r.l. and Italcementi S.p.A., which in 2015 amounted overall to 29.1 million euro.

Under the new corporate structure, many services previously performed in synergy with Italcementi S.p.A. in order to optimize available resources, with obvious economic benefits, are now handled directly by Italmobiliare S.p.A., causing an increase of 15.8% in operating expense net of the expense for the non-recurring transactions described above and provisions for risks.

The gross operating profit of 791.1 million euro (approximately 14.9 million euro in 2015) also reflected the impact of expense relating to the financial transaction with HeidelbergCement AG and to the operation to simplify the company's capital structure (legal and advisory costs).

The above items and amortization and depreciation of 300 thousand euro, up by 243 thousand euro from 2015, produced an operating profit of 790.8 million euro (14.9 million euro in 2015).

The year reflected impairment losses of 19.5 million euro (0.3 million euro in 2015) largely due to the impairment losses on bank stocks for 12.0 million euro and publishing stocks for 5.1 million euro, to align carrying amount with market value.

The profit for 2016 of 759.8 million euro (19.5 million euro in 2015) was after income tax expense of 11.4 million euro (tax income of 5.0 million euro in 2015).

Comprehensive income

In 2016, starting from the profit for the year, the items that make up comprehensive income reflected a positive balance of 68.0 million euro (income of 27.3 million euro in 2015), as follows:

- fair value gains of 93.9 million euro on available-for-sale financial assets,
- a gain of 0.1 million euro on the re-measurement of net liabilities/assets for employee benefits,

and the related tax effect of 26.0 million euro.

Considering the profit for the year of 759.8 million euro and the above items, 2016 comprehensive income was 827.8 million euro (income of 46.8 million euro in 2015).

The statement of comprehensive income is included with the financial statements.

Reclassified statement of financial position

The statement of financial position at December 31, 2016 and December 31, 2015 is summarized below.

(in thousands of euro)	December 31, 2016	December 31, 2015
Non-current assets	19,247	3,816
Equity investments in subsidiaries	270,315	195,291
Equity investments in associates	8,811	9,274
Other equity investments	626,775	194,219
Receivables and other non-current assets	101,343	26,325
Non-current assets	**1,026,491**	**428,925**
Current assets	**312,300**	**21,708**
Assets held for sale	**-**	**683,223**
Total assets	**1,338,791**	**1,133,856**
Equity	**1,218,412**	**944,942**
Non-current liabilities	92,216	33,625
Current liabilities	28,163	155,289
Total liabilities	**120,379**	**188,914**
Total equity and liabilities	**1,338,791**	**1,133,856**

Equity and net financial position (debt)

Equity at December 31, 2016 rose 273.5 million euro from December 31, 2015, from 944.9 million euro to 1,218.4 million euro. The main positive components were:

- the profit for the year of 759.8 million euro,
- fair value gains of 68.0 million euro on available-for-sale financial assets, net of the tax effect,
- the sale of treasury shares upon the exercise of stock options, for 0.7 million euro,

set against the following negative items:

- the dividend of 16.3 million euro paid out in accordance with the shareholder resolution of April 21, 2016, and the dividend of 523.9 million euro paid out to savings shareholders only in accordance with the resolution of the extraordinary shareholders meeting of August 4, 2016,
- share buybacks for 14.8 million euro.

After the mandatory conversion of the 16,343,162 Italmobiliare savings shares into 1,634,317 ordinary shares, since September 1, 2016 the company share capital of 100,166,937.00 euro has been represented by 23,816,900 no-par ordinary shares.

The net financial position of Italmobiliare S.p.A. of 317.0 million euro reflected an increase of 455.9 million euro from the end of December 2015 (net financial debt of 138.9 million euro). The comment on the Financial and private equity segment in the directors' report on Group operations analyzes Italmobiliare S.p.A. cash flows.

Transactions on equity investments

For details on transactions on equity investments, reference should be made to the section on the Financial and private equity segment in the directors' report on Group operations, under the heading "Significant events in the year".

In compliance with the shareholder resolution of April 21, 2016 with specific regard to national and community laws on treasury share purchases, in 2016 the company purchased savings treasury shares for 14.8 million euro. The 478,937 savings treasury shares held at the mandatory conversion date were converted into ordinary shares, after collection of the extraordinary dividend was waived.

During 2016, a total of 27,140 options were exercised for the purchase of a corresponding number of Italmobiliare ordinary shares, under stock options granted in 2009, 2010 and 2011 at a price per share of 20.526, 28.834 and 27.469 euro respectively.

At December 31, 2016, Italmobiliare held 874,014 ordinary treasury shares representing 3.67% of capital.

Research and development

Given its nature, Italmobiliare S.p.A. does not undertake any research and development activities. Such activities are undertaken within the Industrial and services for industry segment (Sirap Gema group, BravoSolution group and Italgen group), and reference should be made to the relevant section for further information.

Human resources and information on personnel

At December 31, 2016, the number of people employed at Italmobiliare S.p.A. was 34 (22 at the end of December 2015). The increase in the workforce was due to Italmobiliare S.p.A. directly taking on the management of functions previously performed by Italcementi.

Information on the environment

The company operations do not have a significant environmental impact.

Risks and uncertainties

The risks connected with Italmobiliare S.p.A.'s operations are illustrated in the section on the Financial and private equity segment in the directors' report on Group operations, to which reference should be made.

Transactions with related parties

Italmobiliare S.p.A. transactions with related parties concerned:

- the subsidiaries of Italmobiliare S.p.A,;
- other related parties.

Transactions with related parties reflect Italmobiliare S.p.A.'s interest in leveraging the synergies within the Group to integrate services, employ competences efficiently and rationalize use of corporate divisions and financial resources.

No atypical or unusual transactions took place in 2015 as defined by Consob Communication no. DEM/6064293 of July 28, 2006.

All transactions with related parties, whether for the exchange of goods and services or of a financial nature, are conducted at normal market conditions and in compliance with the Code of Conduct.

Analytical data on transactions with related parties and the impact of such transactions on the company's financial position and results of operations are set out in the notes.

As part of the actions taken on corporate governance, Italmobiliare S.p.A. has adopted the "Procedure for transactions with related parties", illustrated in the section on "Corporate governance".

Transactions with subsidiaries, associates and the subsidiaries of such companies

Italmobiliare S.p.A. provides administrative, tax and legal services for subsidiaries and their investees with no specific internal competences.

In addition, it has transactions with some subsidiaries involving the exchange of services, in particular:

- the Italmobiliare S.p.A. legal service provides Group companies with specific assistance;
- Italmobiliare S.p.A. leases some of its real estate properties to subsidiaries;
- Italmobiliare Servizi S.r.l. provided Italmobiliare S.p.A. and some of its subsidiaries with IT support services and some general services.

On the financial front, Italmobiliare S.p.A. provides guidance and assistance to some subsidiaries with regard to financing and the issue of guarantees, and optimizes cash management through current accounts and intragroup loans.

Intragroup transactions of a financial nature are conducted at normal market conditions; services are generally regulated on the basis of the costs of providing the services.

Domestic tax consolidation

2016 was the first tax year of the 2016/2018 three-year period of the Italian tax consolidation system envisaged by art. 117 ff. of the Consolidated Income Tax Act (*TUIR, Testo Unico delle Imposte sui Redditi*), renewed in 2016 by the parent Italmobiliare S.p.A. – which acts as the parent-consolidating company – and by some directly controlled subsidiaries

In 2016 the subsidiary Italmobiliare Servizi S.r.l. elected to join the domestic tax consolidation system with effect from January 1, 2016.

The current scope of the domestic tax consolidation comprises the following consolidated subsidiaries:

- Sirap Gema S.p.A.
- Franco Tosi S.r.l.
- Punta Ala Promozione e Sviluppo Immobiliare S.r.l.
- Italmobiliare Servizi S.r.l.

Economic and financial relations among the consolidated companies directly connected with and arising from membership of the tax unit and from management of the tax consolidation described above are governed by a special "Regulation for implementation of intercompany relations arising from membership of the domestic tax consolidation", signed by each of the companies concerned.

Transactions with other related parties

Transactions with other related parties concerned:

- legal consultancy, judicial and extrajudicial assistance provided to Italmobiliare S.p.A. by the Gattai Minoli Agostinelli & Partners law firm, of which the director Luca Minoli is a partner, for considerations of 1.1 million euro;
- administrative, contractual and tax consultancy services as well as support for corporate transactions, provided by Finsise S.p.A., a company whose majority shareholder is Italo Lucchini, Deputy Chairman of Italmobiliare S.p.A., for 1.2 thousand euro.

The considerations paid are in line with market conditions for the respective types of professional service provided.

In 2016 Italmobiliare S.p.A. made an endowment to the "Fondazione Cav. Lav. Carlo Pesenti" foundation of 900 thousand euro to cover operating expense.

The equity investments held by the directors, statutory auditors, the chief operating officer, and the manager in charge of financial reporting in Italmobiliare S.p.A. and subsidiaries, as well as their remuneration for the positions they hold in the Group, are set out in the Remuneration report.

The figures at December 31, 2016 for transactions with related parties are provided in the notes.

Fondazione Cav. Lav. Carlo Pesenti

The foundation is named for Cavaliere del Lavoro Carlo Pesenti (1907-1984), one of the captains of Italian industry and finance in the twentieth century. Established in 2004 as an independent entity, the foundation's mission is to promote and spread a culture of innovation that develops ideas, projects and initiatives with a positive social, environmental and cultural impact. It develops modern forms of interaction between the public sector and the for-profit and not-for-profit private sector, fostering sustainable solutions to key social challenges.

At the meeting of the Board of Directors of June 28, 2016, Italmobiliare S.p.A. assumed exclusive control of the roles and functions reserved by the by-laws for the founder, pledging its support for the activities of the foundation. On July 25, 2016, the foundation named a new Board of Directors, to hold office for the next three years.

The members of the Board of Directors are:

- Carlo Pesenti (chair)
- Giovanna Mazzoleni (deputy chair)
- Italo Lucchini
- Giorgio Barba Navaretti
- Ferruccio De Bortoli
- Matteo Kalchschmidt
- Marco Imperadori
- Donato Masciandaro

The Board named Giampiero Pesenti as honorary chairman of the foundation and appointed Mr. Sergio Crippa to the post of secretary general, with responsibility for operating management.

The Foundation's main activities are:

- **Education, training and scientific research**. Collaboration continued with the University of Bergamo on the "Bergamo 2.035 – A New Urban Concept" project, also in partnership with the Harvard University Graduate School of Design, on trends and future developments of the smart city concept in mid-size cities like Bergamo. After the results obtained in the first phase of the project, which were published in a book and illustrated at conferences and other events, and also in a video communication campaign, research for the 2015-2016 academic year focused on models and developments in logistics and urban mobility. The foundation supported this new phase with a contribution of 50,000 euro disbursed in 2016 directly to the University of Bergamo and provided constant assistance in terms of visibility for and communication of the project. The agreement with the Bocconi University for 2014 - 2017 was fully implemented regarding support for the "Sustainable Operations Management" course. Support also continued for the Milan Polytechnic Graduate School of Business, with a membership fee of 20,000 euro for 2016 with the consortium. In the science and education area, in addition to the usual contribution for Bergamo Scienza, an amount of 45,900 euro was paid to the Intercultura association (which promotes intercultural dialogue and exchanges among young people) to fund three scholarships for outstanding students resident in the Bergamo area to take part in an annual education program in the USA, and three scholarships in Ireland for children of Group employees.
- **Enhancement of art and culture** In addition to the recurring annual backing for the activities of the Bergamo nella Storia foundation, support was provided for the first monographic exhibition on the works of Bergamo artist Palma il Vecchio, with loans of works by the artist from leading museums in other countries.
- **Cultural events and conferences** In 2016, the foundation's annual congress looked at the role that can and must be played by foundations to ensure welfare support in advanced societies at a time of economic crisis and

reduced capacity for intervention by the state and public bodies, examining areas from charity to venture philanthropy.

- **Humanitarian and social support initiatives.** The foundation continued to support the planning and supervision of the work to extend the Training Center in Metiyagane, Sri Lanka, an initiative planned after the tragic tsunami at the end of 2004 and built in cooperation with the local Salesian congregation.
- **Charity**. This international project was joined by numerous charity initiatives to support the Bergamo area, with particular reference to assistance for local organizations and residents.

Outlook

For the outlook for Italmobiliare S.p.A., the reader is referred to the corresponding section in the Financial and private equity segment section in the directors' report on Group operations.

THIS IS AN ENGLISH COURTESY TRANSLATION OF THE ORIGINAL DOCUMENTATION PREPARED IN ITALIAN LANGUAGE. PLEASE REFER TO THE ORIGINAL DOCUMENT. IN CASE OF DISCREPANCY, THE ITALIAN VERSION WILL PREVAIL.

Report on Corporate Governance and ownership structure

INTRODUCTION

This Report describes the corporate governance system adopted by Italmobiliare S.p.A. (hereinafter also referred to as "Italmobiliare" or the "Company").

Fulfilling applicable legal and regulatory provisions, this Report contains information on the ownership structure and compliance with the Code of Conduct for listed companies promoted by the Committee for Corporate Governance, (hereinafter the "Code of Conduct", available on the website www.borsaitaliana.it) (hereinafter the "Code"). This Report also illustrates the reasons underlying the non-implementation of certain recommendations of the Code, which the Board of Directors decided not to adopt, it describes the corporate governance practices actually applied and provides for a description of the main features of the Internal Control and Risk Management System, also with reference to the financial reporting process.

This Report, approved by the Board of Directors on 2 March 2017, is published in the section "*Governance/General Meetings*" on the Company's website (www.italmobiliare.it).

The information contained in this Report refers to 2016 and, in regard of specific topics, was updated as of the meeting of the Board of Directors which approved it.

The format of this report complies with the "Formats for reports on corporate governance and ownership structures" by Borsa Italiana, VI Edition, January 2017.

1.0 PROFILE OF THE ISSUER - ITALMOBILIARE

Italmobiliare adopts the traditional governance model characterized by the presence of a Board of Directors and a Board of Statutory Auditors, both appointed by the Shareholders' Meeting, considering it the most suitable governance system to combine "efficient management" with "effective control", and simultaneously pursue the satisfaction of the shareholders' interests and enhancement of the management value.

The Company Corporate Governance system has been devised from the following codes and internal regulations, as well as the By-laws:

1) Code of Ethics;
2) Procedure on the management of confidential and inside information;
3) Code of Conduct (internal dealing);
4) Procedure for transactions with related parties;
5) Procedure to list the names of parties with access to inside information (the insider list);
6) Market sounding procedure;
7) Regulation by the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*);
8) Organizational, management and control model

As noted above, the Corporate Governance system of the Company also complies with the provisions and standards set out under the Code, as with the exceptions described in more detail in this Report.

More specifically, as a result of the entry into effect of EU Regulation no. 596/2014 (“Market Abuse Regulation”) and the relative application provisions, including the ESMA (Euro Securities and Markets Authority) recommendations, and the consultations with CONSOB (National Commission for Companies and the Stock Exchange) for issuers listed in Italy - the Risk Control Committee and the Board of Directors of the Company examined and approved - first on 29 November 2016, and then updated on 2 March 2017 - the new procedures “on confidential information and inside information” and on the “market sounding procedure”, and adopted the new texts of the procedure “on listing the names of parties with access to inside information” (“Insider list”), with the previous version already approved by the Board of Directors on 21 March 2006, and the “Code of Conduct” (internal dealing), with the text having already been approved by the Board of Directors in the previous version on 13 November 2002 and subsequently updated on 20 February 2013.

The texts of the above mentioned documents are all available on the Company’s website, except for: (i) the Regulation by the Manager responsible for preparing the Company’s Financial Reports (*Dirigente Preposto*), made available to the Directors, the Statutory Auditors, and the Finance, Administration and Control Directors of the Company and all the Group companies in electronic format; and (ii) only the special Part of the Organizational, Management and Control Model, also made available to all employees in the Company using electronic means.

The Company, as the holding company of the Group, has always been actively committed in modernizing its business culture in order to respond to the challenges arising from developments in corporate governance rules. This process fostered and enhanced the sharing of values and the recognition that the adoption of good rules of corporate governance goes hand in hand with the dissemination of a business culture whose aims are transparency, adequate management and effective control.

The corporate governance structure adopted by the Company, as set up in the binding articles of the By-laws and the provisions of the above-mentioned codes and regulations, confirms and bears witness to Italmobiliare’s commitment to comply with national and international best practices.

2.0 INFORMATION ON OWNERSHIP STRUCTURE

a) Share capital structure, indicating the various share categories, related rights and obligations, as well as the percentage of share capital represented

The share capital of Italmobiliare amounts to euro 100,166,937, divided into 23,816,900 ordinary shares with no face value.

The ***ordinary shares*** carry voting rights at the Company’s ordinary and extraordinary shareholders’ meetings.

Within the deadlines envisaged by the law in force, shareholders who, even jointly, own at least one fortieth of the share capital represented by shares with voting rights, may send a request to integrate the items on the agenda of the shareholders’ meeting proposing further issues for discussion or further resolutions on the items already on the Agenda. In addition, shareholders who, individually or with other shareholders, can prove that they hold an overall stake in the share capital with voting rights that is no lower than that established by the law in force, have the right to present lists for the appointment of the Board of Directors and the Board of Statutory Auditors in accordance with the provisions of the law and the By-laws.

On 1 September 2016, all 16,343,162 **savings shares** of Italmobiliare, including both bearer shares (ISIN IT0000074614) and registered shares (ISIN IT0000074622) were converted into 1,634,317 ordinary shares (ISIN IT0000074598) with the same characteristics as those outstanding at the date the mandatory conversion took effect, including the economic rights valid for 2016. The last date for trading the savings shares on the stock exchange was 31 August 2016.

The new composition of Italmobiliare’s share capital, as described above, was decided by the Extraordinary Shareholders’ Meeting and the Special Meeting of the Savings Shareholders which approved the following on 4

August 2016: the proposal for an extraordinary preferred dividend for savings shareholders, the mandatory conversion of the savings shares into ordinary shares and the elimination of the nominal amount of the outstanding ordinary shares and savings shares. The By-laws were also updated on the same date, filed with the Milan Company Registrar and published in the *"Governance/Documentation /By-laws"* section on the website www.italmobiliare.it .

In accordance with the law, ordinary and savings shareholders who did not agree to the above-mentioned decisions were guaranteed the right of withdrawal, pursuant to article 2437, paragraph 1, letter g) of the Italian Civil Code.

In execution of the decisions relating to the conversion of the preference shares into ordinary shares:

- the extraordinary preferred dividend, representing a monetary amount of euro 80.00 and 3 ordinary shares of HeidelbergCement AG, listed on the Frankfurt stock exchange, for each group of 10 savings shares (both bearer and registered), was paid on 5 September 2016;
- in accordance with article 2437-*ter* of the Italian Civil Code, the liquidation value of the shares with the right of withdrawal amounted to: euro 26.64 for each savings share and euro 36.51 for each ordinary share.

At expiry of the term to exercise the above-mentioned right of withdrawal, on the basis of the information available to the Company:

- none of the ordinary shareholders with the right of withdrawal exercised said right;
- one (1) savings shareholder exercised the right of withdrawal for two (2) savings shares, corresponding to a total amount of euro 53.28.

The Company does not have any stock option plans either for directors or for managers. However, based on the right granted in the last few years for the stock option plans in force from time to time, cancelled for the unexecuted portion, as of the date hereof 287,500 options on the stock option plan for directors, and 170,524 options on the stock option plan for managers are exercisable.

No additional categories of financial instruments granting rights to subscribe newly issued shares, other than the above-mentioned options, have been issued by the Company.

b) Restrictions on share transfers

No restrictions exist on share transfers or on acceptance clauses.

c) Significant shareholders as disclosed pursuant to article 120 of TUF (Consolidated Finance Act)

The list of Shareholders who have significant shareholdings in the share capital at 31 December 2016 is shown below, in accordance with Company records pursuant to the communications made in accordance with article 120 of TUF.

Shareholder	No. Shares	% of ordinary share capital
Efiparind B.V. (indirectly and through Compagnia Fiduciaria Nazionale S.p.A.)	10,484,625	44.02
Serfis S.p.A.	2,288,942	9.61
Mediobanca S.p.A.	2,106,888	8.85
First Eagle Investment Management, LLC (as manager, among others, of the «First Eagle GlobalFund» which holds 5.02% of the ordinary share capital)	1,924,082	8.08
Italmobiliare (treasury shares)	874,014	3.67

d) Shares that confer special control rights

No shares conferring special control rights have been issued.

e) Employee shareholdings: mechanism for exercising voting rights

There is no specific shareholdings’ system for employees.

f) Restrictions on voting rights

The By-laws do not provide for restrictions on the exercise of voting rights.

g) Shareholders’ agreements pursuant to article 122 of TUF, of which the company is aware

As far as the Company is aware, there are no agreements of any kind regarding the exercise of voting rights and the transfer of such shares or any of the situations envisaged by art. 122 of TUF.

h) Change of control agreements and By-laws provisions on takeover bids

According to the policy to support its activity, the Company and some of the its subsidiaries entered into loan agreements which, according to standard contractual practice, grant the lending organisation,in the case of a change of control of the Company, the right of withdrawal or the right to terminate the loan agreement early, with the consequent right to demand the remaining principal and the accrued interest or, lastly, in the case of derivative-based agreements, the right to terminate the outstanding derivative agreements.

As far as takeover bids are concerned, the Company’s By-laws do not provide for waivers to the provisions of TUF related to the passivity rule nor the application of the breakthrough rule.

With reference to the agreements between the Company and its directors which envisage compensation in the case of resignation or unfair dismissal or if the office ends following a takeover bid, please refer to the Remuneration Report published in accordance with article 123-ter of the TUF.

i) Authorizations to increase the share capital and purchase treasury shares

In execution of the extraordinary shareholders’ resolutions of 29 May 2012, the Directors are granted with the powers, in once or more times within a period of five years from the resolution:

- under art. 2443 of the Italian Civil Code, to increase share capital once or more times up to a maximum amount of euro 260 million, free-of-charge or against consideration, by issuing ordinary and/or savings shares, also to serve bonds issued by other entities convertible into ordinary and/or savings shares of the company or that are combined with warrants for the subscription of ordinary and/or savings shares of the Company;
- under art. 2420-ter of the Italian Civil Code, to issue once or in various times bonds to be converted into ordinary and/or savings shares or with warrants to acquire ordinary and/or savings shares, up to a maximum overall amount of euro 260 million, in compliance with the terms and conditions established by the laws and regulations in force from time to time, with the consequent share capital increase to serve such conversion or the exercise of the captioned warrant.

All with the widest powers connected thereto, including those of offering the shares and convertible bonds or with a warrant according to the penultimate paragraph of art. 2441 of the Italian Civil Code; reserve up to a quarter of them under art. 2441 of the Italian Civil Code, last paragraph; define the provisions and reserves to enter as capital in the event of free-of-charge increase; define issue price, conversion ratios, terms and modes for the execution of the transactions.

The Company has not issued equity instruments of any kind, nor do the By-laws grant any power for their issue to directors as of the date hereof.

The shareholders' meeting of 21 April 2016 renewed the Company's authorization to purchase and dispose of treasury shares for a period of 18 months from the date of the resolution.

Within the scope of the authorization decided on, the Company purchased 450,437 treasury savings shares during the year, and granted some of the shares held in its portfolio to stock options' beneficiaries, who exercised vested rights.

Therefore, on 31 December 2016, the Company held 874,014 ordinary treasury shares, equal to 3.67% of the share capital to be used to serve the "Stock option plan for directors" and the "Stock option plan for managers";

l) Management and coordination activity

Efiparind B.V. is the relative majority shareholder of Italmobiliare.

According to the last notice received as well as other information held by the Company, Efiparind B.V. indirectly holds, net of the treasury shares held by Italmobiliare itself, 45.7% of Italmobiliare's ordinary shares, representing the share capital with voting rights.

Pursuant to both art. 2497-sexies and art. 2359 of the Italian Civil Code, no company or entity exercises management and coordination activity over Italmobiliare.

3.0 COMPLIANCE

Italmobiliare complies with the Code approved by the Committee for Corporate Governance of Borsa Italiana on July 2015.

The Code can be accessed by the public on the website of the Committee for Corporate Governance of Borsa Italiana at the website: http://www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm

However, the Board of Directors decided not to adhere to the recommendations of the Code regarding i) the establishment of the Appointment Committee and ii) the adoption of Shareholders' Meeting Regulations. Further details in this regard will be provided in this Report, based on the various topics to be illustrated.

The Board of Directors is always open to evaluating any new orientations that may occur in the Code and their possible inclusion in the Company's corporate governance system, provided that, consistently with Company policy, the recommendations given by the Code allow the Company to further enhance its trustworthiness towards investors.

4.0 BOARD OF DIRECTORS

The Board of Directors is responsible for defining the strategic direction of the Company and its Group and is in charge of its management. To this end, pursuant to the By-laws, it is vested with all the necessary powers for the ordinary and extraordinary management of the Company, since it is competent on everything that is not expressly reserved by law or the By-laws to the Shareholders' Meeting.

In addition to the powers conferred to it by law and by the By-laws regarding the issue of shares and bonds, the resolutions concerning the following matters are also entrusted to the Board of Directors - without prejudice to the Shareholders' Meeting authority, which is competent by law - in compliance with art. 2436 of the Italian Civil Code:

- incorporation of companies that are fully owned or at least 90% owned;
- transfer of the registered office, as long as within the (Italian) national territory;
- establishment or closure of branches, whether in Italy or abroad;
- reduction of share capital in the event of withdrawal of a shareholder;

- amendment of the By-laws to comply with mandatory legal provisions.

The Board of Directors, in compliance with the provisions of the By-laws, meets at least once in each calendar quarter. At such meeting, the delegated bodies report to the same Board and to the Board of Statutory Auditors on significant transactions put in place in the exercise of delegated powers.

The Board of Directors also has the task of passing resolutions regarding:

- transactions with a significant strategic, importance and impact on Italmobiliare financial position and results of operations, put in place by the Company itself and by its subsidiaries;
- transactions with related parties, as governed by specific company procedure and in compliance with the conditions provided therein.

The Board is also entrusted with i) the assessment on the overall operating performance, ii) the assessment of the adequacy of the organizational, administrative and accounting structure with particular reference to the Internal Control and Risk Management System, which is overseen by the Director in charge, under the powers delegated to him by the Board itself, iii) the granting of powers to the executive directors and iv) the determination of the remuneration of directors vested with special powers and key management personnel.

The Directors act and make decisions on an informed basis and independently pursuing the primary objective of creating value for Shareholders. They hold their office being aware that they can devote the necessary time for a diligent performance.

No exception to the non-competition provisions under Art. 2390 of the Italian Civil Code has been authorized by the Shareholders' Meeting nor is required by the By-laws. In addition, no Director is a partner with unlimited liability of any competitors, or exercises a competing business on its own or on behalf of third parties, or is a director or Chief Operating Officer of competitors.

4.1 Appointment and replacement of Board members

The Board decided not to adopt succession plans for Executive Directors.

The Company's By-laws, in compliance with the provisions of current legislation, provide that the appointment of the Board of Directors shall occur on the basis of lists that ensure that the non-controlling shareholders obtain the minimum number of directors required by the law and should comply with the regulations in force concerning the gender balance.

Lists must be filed at the Company's head offices at least 25 days before the date set for the Shareholders' Meeting on first or single call; this, together with the conditions and minimum stake required to file the lists, must be mentioned in the notice of call.

Lists may be filed only by shareholders who, alone or together with other shareholders, are able to provide evidence that they hold a percentage of the share capital with voting rights not lower than that determined by Consob pursuant to the regulations in force.

No shareholder may file, or participate in filing, even through a third person or trust company, more than one list or vote for different lists. Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the Company shares may not file or vote for more than one list, neither through a nominee or trust companies.

Lists filed in violation of these restrictions will not be accepted.

Each candidate may be on one list only under penalty of ineligibility.

Pursuant to the By-laws, the lists that have a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other gender may be represented by at least one third (rounded upwards) of the candidates.

At the time of their filing, lists must include:

a) statements whereby individual candidates:
   * accept their candidacy;
   * state, under his/her own responsibility:
     - the non-existence of causes of ineligibility;
     - possession of the good reputation requirements established by the law;
     - possession of any independence requirements that may be required by the law and the Code. The latter is a principle already contained in the Code of conduct originally adopted by the Company, now outmoded by the Code which the Company has complied with. The Board of Directors considered it appropriate to keep this principle in line with the best practices governing the matter.
b) a brief curriculum on the personal and professional skills of each candidate with an indication of their position as director and statutory auditor in other companies;
c) information on the identity of the shareholders who have presented lists. The intermediary certification or statement proving ownership of the shareholding prescribed by the law in force when the list is presented may also be produced after the filing of the list provided that it reaches the Company within the term envisaged by the regulation in force for the publication of lists by the Company;
d) a statement by the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection, as defined by the law in force.

The Company By-laws do not provide for good reputation or independence qualification requirements additional to those required for the Statutory Auditors by TUF. Any elected directors whose requirements of good reputation, as set forth by law or the By-laws, become void during their term of office, will forfeit their office. A number of directors that is not less than the minimum amount required by law must possess the independence requirements provided under current legislation.

If the list filed does not comply with the above provisions will be considered as not presented.

At least 21 days before the Shareholders' Meeting date, the Company makes available the lists of candidates which have been filed by shareholders, along with the above-listed supporting documentation, at the Company premises, at the stock exchange and on its website,.

In the event of more than one list is filed:

- all the directors are elected from the list that obtains the highest number of votes at the Shareholders' Meeting, in the order in which they are listed, except for the minimum number reserved by law for the non-controlling shareholders' list;
- the minimum number of directors reserved by law to non-controlling shareholders are elected from the non-controlling non-controlling shareholders' list that obtains the highest number of votes and is not connected in any way, directly or indirectly, with the majority shareholders;
- should more than one list obtain the same number of votes, a runoff is held on these lists among all the shareholders present at the Shareholders' Meeting, and the candidates are elected from the list that obtains the majority of the share capital represented at the Shareholders' Meeting.

For the purposes of the apportioning of the directors to be elected, the lists that have not achieved a percentage of votes at least equal to half of the percentage required for the presentation of lists will not be considered.

Should a party connected to a majority shareholder vote for a list of the non-controlling non-controlling shareholders, the connection is relevant for the purposes of excluding the non-controlling non-controlling shareholders' elected director only if this vote was crucial for the election of said director.

Should a single list be presented, all the candidates included in that list are elected with a simple majority vote of the share capital represented at the Shareholders' Meeting.

If as a result of the voting based on lists or the voting of the only list presented, the composition of the Board of Directors does not meet the current regulations regarding gender balance, the necessary replacements will be carried out within the list that has obtained the highest number of votes or within the only list presented, starting from the candidate in the last place of the same list. Subsequently, if compliance with the requirement concerning the balance between genders is not ensured in the minimum number required by law, there will be similar replacements, again within the list that has obtained the highest number of votes, or within the only list presented.

In the absence of lists, and whenever by means of the voting list mechanism, the number of candidates elected is lower than the minimum number envisaged by the By-laws for its composition, the Board of Directors is respectively appointed or supplemented by the Shareholders at their meeting with the legal majority, provided that the gender balance set forth by current legislation in force is ensured and at least the minimum number of directors holding the independence qualification required by law is guaranteed.

If during the year, due to resignation or other reasons, one or more directors cease to serve, the others, provided that the majority is still represented by directors appointed by the shareholders at their meeting, shall arrange to replace them by means of a resolution approved by the Board of Statutory Auditors.

Directors are replaced, in compliance with the above requirements of good reputation and independence, with the appointment of unelected candidates belonging to the same list as the directors who no longer serve, following the original order of presentation. Should this not be possible, the Board of Directors will act pursuant to the law. All of the above, in any case, in compliance with the current legislation in force regarding gender balance.

Directors appointed in this manner hold office until the following Shareholders' Meeting.

The Shareholders' Meeting resolves upon the replacement of directors, in compliance with the above principles, with a simple majority of the share capital represented at the Shareholders' Meeting.

The term of office of Directors appointed this way will end at the same time as that of the directors serving at the time of their appointment.

No limits to re-eligibility of directors have been envisaged, although directors holding the same position for more than nine years in the last twelve years could be considered - as a non-binding rule - no longer to meet the independence requirement pursuant to the Code.

4.2 Composition

The Company By-laws provide that the Company shall be managed by a Board of Directors consisting of 5 up to 15 directors, appointed at the Ordinary Shareholders' Meeting, for the period decided at the time of appointment, but in no event for more than three years and they may be reappointed when their term of office expires.

The Board of Directors currently in office is made up of fourteen members, appointed by the Shareholders in their meeting of last 27 May 2014. Their term of office expires upon approval of the 2016 financial statements.

Twelve out of fourteen members are non-executive and, of these, eight directors are independent in accordance with the TUF; seven of them also have the independence qualification set out by the Code. According to the transitional rules on gender balance, a fifth of the members is reserved for the less represented gender.

Of the fourteen Board members, Mr. Livio Strazzera represents the non-controlling shareholder Serfis S.p.A.

The Board of Directors at 31 December 2016 is shown in table 1 below.

In accordance with regulations, the *curricula* of the Board Members are promptly published on the Company's website at the time of appointment.

Executive Directors

The Company By-laws provide that, unless the Shareholders' Meeting has already done so, the Board is entitled to appoint the Chairman and possibly one or more Deputy Chairmen and determine their powers.

The Board of Directors, in accordance with the legal provisions and the By-laws, can delegate its powers to an Executive Committee, made up of some of its members, and determine their number and powers. The Board of Directors can also delegate its powers to only one of its members, with the title of Chief Executive Officer, and determine the limits of such empowerment. The Board of Directors or the Executive committee, if appointed, can appoint, also from outside the Board of Directors, a Chief Operating Officer, and determine his/her term of office and the relevant attributions, powers and remuneration.

The Board of Directors has appointed, among its members, in addition to the Chairman, a Deputy Chairman and a Chief Executive Officer who also acts as Chief Operating Officer.

The Chairman and the Chief Executive Officer - Chief Operating Officer to whom the Board of Directors granted duties and powers upon appointment setting any quantitative limits, are considered executive directors.

The Board also granted the Executive Committee all its powers except for those that may not be delegated pursuant to the Italian Civil Code and the By-laws. The resolutions of the Executive Committee are reported to the Board of Directors at its following meeting.

The consistency of direction and coordination of activities is ensured by the presence of the Chairman, the Chief Executive Officer - Chief Operating Officer and the Deputy Chairman, directors and Company managers on the Boards of Directors of the main subsidiaries.

Maximum number of offices held in other companies

In accordance with the Code, the Board of Directors set at:

- five (in the position of executive director) and
- ten (in the position of non-executive or independent director or statutory auditor)

the maximum number of offices that can be held as director or statutory auditor in other companies listed on regulated markets including abroad, or in financial, banking, insurance or major companies, which may be considered compatible with the effective performance of the office of Company director, with the exception of its subsidiaries, parents and companies subject to joint control.

A list of offices as director or statutory auditor held by each director in other companies listed on regulated markets even abroad, or in financial, banking, insurance or major companies, at the date of this report, is set out below:

Giampiero Pesenti	Compagnie Monegasque de Banque	Director
	Credit Mobilier de Monaco	Director
Italo Lucchini	Almag S.p.A.	Chairman of the Board of Statutory Auditors
Carlo Pesenti	Clessidra SGR S.p.A.	Chairman
Anna Maria Artoni	Artoni Group S.p.A.	Sole Director
	Artoni Trasporti S.p.A.	Deputy Chairwoman - CEO

	Gruppo MutuiOnline S.p.A.	Director
	Prelios S.p.A.	Director
Carolyn Dittmeier	Autogrill S.p.A.	Director
	Assicurazioni Generali S.p.A.	Chairman of the Board of Statutory Auditors
	Alpha Bank A.E.	Director
Luca Minoli	Cemital S.p.A.	Chairman
	Finanziaria Aureliana S.p.A.	Chairman
	Privital S.p.A.	Chairman
Gianemilio Osculati	Ariston Thermo S.p.A.	Director
Clemente Rebecchini	Assicurazioni Generali S.p.A.	Deputy Chairman
Paolo Sfameni	Allianz Bank Financial Advisors S.p.A.	Director
	Investitori SGR S.p.A.	Chairman
	La Fenice S.r.l.	Standing statutory auditor
	Pirelli Tyre S.p.A.	Standing Statutory Auditor
Livio Strazzera	Serfis S.p.A.	Sole Director
Massimo Tononi	Prysmian S.p.A.	Chairman
	Istituto Atesino di Sviluppo S.p.A.	Chairman
	Sole 24 Ore S.p.A.	Director
Laura Zanetti	In.co.fin S.p.A.	Director
	Prentice S.p.A.	Director
	Coima Res S.p.A.	Director
	Italgas S.p.A.	Standing Statutory Auditor

Induction programme

Two separate induction sessions were held in 2016.

- the first was held on 15 March 2016 by the international consultancy firm, McKinsey & Company, and was entitled “Construct the conditions for the future of Italmobiliare”, during which governance, strategies, financial and operational issues were examined and discussed.
- the second was held on 10 November 2016, with input from the Chief Executive Officer and General Counsel of the Company, who illustrated EU and national regulatory developments on market abuse to the Directors.

4.3 Role of the Board of Directors

Assessment of the functioning of the Board of Directors and its Committees

As envisaged by the Code, on 2 March 2017, the Board of Directors assessed the size, composition and functioning of the Board itself and its Committees.

To this extent, the Company circulated among the directors a self-assessment questionnaire made up of statements, for which the respondent had to rate their level of agreement. The questionnaire was returned anonymously by 12 directors out of 14.

4.4 Delegated bodies

The granting of powers is based on the principle of segregation of duties.

The delegation of powers, i.e. the assignment of operating powers to one or more persons and/or the Executive Committee, does not exclude the competence of the Board of Directors, which in any case holds a superior steering and controlling power over the Company's general activities as to its various components.

Among the five members of the Executive Committee, two are executive directors; the remaining ones, two of whom are independent, are considered, however, non-executive directors, as the Company's Executive Committee meets without any regularity and, in fact, exclusively to address the timely examination of certain transactions and for the adoption of the relevant resolutions. The Code also shares this interpretation provided that, as in this case, the director who is a member of the Executive Board, is not given individual executive powers.

Within the Board of Directors, the allocation of powers is as follows:

- the **Executive Committee**, consisting of five members, has been assigned all the powers and the assignments of the Board of Directors, except for those which the law and the By-laws do not allow to be delegated. As specified at the time of its appointment, the resolutions of the Executive Committee must be reported to the next Board of Directors' meeting;
- the **Chairman**, Mr. Giampiero Pesenti, among others, has been assigned the duties to supervise and ensure the compliance with Corporate Governance principles approved by the Company proposing any amendment to them for approval by the Board of Directors, to supervise the execution of the investment plans as defined by the Board and/or the Executive Committee and to propose resolutions to the Board of Directors and/or the Executive committee. The Chairman is granted, among others, in addition to the representation powers' envisaged by the Bylaws, the powers to undertake any administrative act and measure, among which, to acquire and dispose of equity investments, carry out credit and securities transactions, accept guarantees, grant collateral and guarantees in favour of third parties as long as these are direct or indirect subsidiaries or associates of Italmobiliare, within a maximum amount of euro 20 million for each transaction; to enter into real estate sale and purchase agreement, trade-in and to settle easements or real estate rights in general, within the maximum amount of euro 20 million for each transaction; appoint every kind of consultant defining their remuneration and any guarantee deposits, suspending, terminating and modifying the relationship with the latter, with the powers of granting special power of attorney to give these powers to other individuals.
- the **Deputy Chairman**, Mr. Italo Lucchini, has been assigned the sole representative powers, in accordance with the By-laws, to be exercised severally by the Chairman and by the Chief Executive Officer;
- the **Chief Executive Officer** - **Chief Operating Officer**, Mr. Carlo Pesenti has been assigned, among others, the tasks of supervising management policies and business development strategies' of Italmobiliare and the main directly and indirectly controlled companies; supervising and directing the activities of Italmobiliare and its main subsidiaries; establishing guidelines for the management of the main companies in which Italmobiliare holds, directly or indirectly, an interest that allows it to exercise significant influence; taking care of the organization and propose to the Board of Directors the main organizational changes. At the same time, he has been granted,

among others, the powers to perform all administrative and disposal acts concerning the management of the Company, including securities and credit transactions, to undertake on behalf of the Company bonds of any kind, also secured by collateral, accept guarantees, grant collateral and guarantees in favour of third parties as long as these are direct or indirect subsidiaries of Italmobiliare, acquire and dispose of government securities, bonds, land, stocks, company shareholdings, perform swap and forward transactions on securities within a maximum amount of euro 20 million, for each transaction.

Other powers for current management activities were granted to managers of the Company, to the extent of their respective duties.

The Chairman, the Chief Executive Officer - Chief Operating Officer have periodicly reported to the Board of Directors and the Board of Statutory Auditors, as envisaged by the Code and the Company By-laws, about activities undertaken within their assignments and powers. However, the most important transactions undertaken by the Company or by the subsidiaries with an impact on their financial position and financial performance, the main transactions with related parties as well as transactions leading to potential conflicts of interests, have been always submitted for examination by Board of Directors, even when within the limits of their powers.

4.5 Other executive directors

Apart from the Executive Director and Chief Operating Officer, Mr Carlo Pesenti, no other Directors are considered to be “executive” within the scope of the definition in Application Criterion 2.C.1 of the Code.

4.6. Independent Directors

In accordance with the regulations in force, at least one of the members of the Board of Directors, or two in case it is composed of more than seven members, must meet the independence requirements established by the law for members of the Board of Statutory Auditors.

The Code also requires that the number and qualifications of independent directors are adequate in relation to the size of the Board and to the Company’s activities and such as to allow the establishment of committees within the Board; also under the Code, the independent directors must be at least two.

In compliance with the provisions and recommendations mentioned above, each individual concerned, upon submission of the lists of candidates for the office of director, must declare that he/she meets the requirements for independence under the TUF and pursuant to the Code; the Board of Directors, at its first meeting after the appointment of its members, will, on the basis of information provided by each person or information available to the Company, verify that directors who have declared to be independent actually meet the independence requirements.

Moreover, at the time of preparing the annual Report on Corporate Governance, the Company reiterates its request to all directors in office to declare whether they meet such requirements. Their responses are submitted to the Board for the consequent assessment of independence on an annual basis.

The results of such assessment are disclosed to the market on occasion of appointment and shown annually in this report on the page regarding corporate bodies, which opens this document, and in the table shown below.

In the case the independence requirements prescribed by law are no longer met, the director concerned must give prompt communication thereof to the Board of Directors. This circumstance entails the removal from office of such director, except in cases where such requirements are still met by at least the minimum number of directors required by current legislation.

The current Board of Directors consists of eight directors meeting the requirements of independence provided by law, seven of which are also considered independent on the basis of the criteria set out in the Code.

The Board of Statutory Auditors verified the correct application of the criteria and verification procedures adopted by the Board of directors to assess the independence of its members.

4.7 Lead Independent Director

The Code provides that, should the Chairman of the Board of Directors be the main officer in charge of company management, and also when the position of Chairman is held by the person who controls the Company, the Board should appoint an independent director as "Lead independen t director", to provide a reference for and coordinate requests and contributions of non-executive directors and, in particular, independent directors.

On the occasion of the appointment of the Board of Directors for the 2014-2016 mandate, the Board of Directors, at its meeting of 27 May 2014, approved the dissociation of the functions of Chairman and Chief Executive Officer; however, in light of the shareholding structure and in compliance with the best practices, the Board has decided to appoint **Mr Massimo Tononi,** independent director, as "Lead Independent Director".

4.8 Meetings of the Board of Directors

The Chairman, or if he is absent, the Deputy Chairman, coordinates the activities and conducts the meetings of the Board of Directors in accordance with the By-laws and ensures that the documentation relating to items on the agenda is disclosed to the directors and statutory auditors properly in advance. In particular, the Board of Directors set the prior notice period to be observed in order to submit the afore-mentioned documentation at at least two days. Such prior notice period has always been met during 2016. When the material on certain items on the agenda is particularly complex, specific explanatory notes prepared on each occasion by the competent corporate functions are also sent in order to facilitate the adoption of resolutions by board members on these issues. All documentation is sent by e-mail in files protected by passwords only known to the recipients in order to preserve confidentiality of the data and information provided. Starting from 31 January 2017, the documents and information relating to the Board meetings will be managed electronically, and no longer in hard copy, using the *Infocert MeetingBook* system.

Using this new *Infocert MeetingBook* system, the Directors and the Statutory Auditors can access the documents safely, using a mobile device, and follow the presentations of the speakers in real time, without any need for external screens or projectors. Further characteristics of the system are currently being evaluated, in addition to new electronic instruments so that the governing body can constantly improve efficiency, and strengthen security/confidentiality in the exchange and processing of company information.

Moreover, the Chairman, through the competent company functions, ensures that directors participate in initiatives aimed at increasing their knowledge of the company's operations and dynamics and are informed on key legislative and regulatory developments having an impact on the Company and its corporate bodies.

The Board meets at least every quarter to approve the financial statements for the period. At those meetings, the delegated bodies report on the activities performed by virtue of their respective powers. Moreover, pursuant to the By-laws, the Board meets anytime deemed necessary by the Chairman, or the Deputy, or upon prior request of any member of the Board of Statutory Auditors to the Chairman of the Company.

During 2016, the Board of Directors held a total of eleven meetings. Nine Directors attended all the meetings; eleven directors attended two meetings; twelve directors attended five meetings, and finally, thirteen directors attended four meetings. Four independent directors were always present; one independent director (Mr Massimo Tononi) attended seven meetings out of eleven. Nine meetings of the Board of Directors were attended by all members of the Board of Statutory Auditors, one Statutory Auditor was absent from the remaining two meetings.

All meetings of the Board of Directors were attended, by invitation, by the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*). Some meetings were also attended by managers of the Company and of the major subsidiaries to provide additional information on the topics put on the agenda from time to time. The following attended: Mr Enrico Benaglio, Head of the Investment Management department and Investor relations, Ms Delia Strazzarino, Head of Internal Audit, Mr Giuliano Palermo, Manager of the Development and Investment Department, and Mr Mario Fera, CEO of Clessidra SGR, an asset management company in which the Company holds a 99% investment.

The average duration of the meetings of the Board of Directors held during the year was about three hours.

As required by the Code and as per common practice, the Board, when examining and approving the financial statements for the period, taking into particular consideration the information received from the delegated bodies, assesses the overall company performance by comparing the results achieved with those planned in the annual budget.

The Board of Directors has met three times so far in 2017, with the first meeting to appoint the Secretary of the Board of Directors, assess the impairment test methods used for 2016, update the organizational structure and examine the Audit plan; the second to examine the 2017 budget and decide on the activities of the remuneration committee, the third to approve, *inter alia,* the 2016 draft financial statements. To date, at least another three Board meetings are scheduled for the current year for the approval of the interim report and the periodic additional financial information.

The meetings calendar in which the results for the year or period are examined is disclosed to the market on an annual basis, and published on the Company's website in the section Investor / Financial Calendar. The 2017 calendar was published in January, with a first update published on 2 March.

The Executive Committee met once in 2016, with four out of five of its members in attendance. One meeting of the Executive Committee was attended by all the members of the Board of Statutory Auditors.

The Executive Committee has not yet met in 2017.

5.0 PROCESSING CORPORATE INFORMATION

On 29 November 2016, the Board of Directors of the Company, as a result of the entry into effect of the Market Abuse Regulation and related implementing provisions, approved a new procedure relating to the management of "confidential" information and "inside" information.

The procedure can be accessed at the address www.italmobiliare.it in the section "*Governance/Documentation*".

The rules of conduct and principles to be observed in the procedure are aimed at:

- ensuring maximum confidentiality of the Inside Information or information that could become inside information (Confidential Information), taking account of the interest in the confidentiality of the information as it is being formed, and the obligation to make non-selective disclosures, also in compliance with inside information regulations;
- protecting the investors and market integrity, preventing any situations of information asymmetry, and preventing any parties from being able to use non-public information to operate on the markets;
- protecting the Company from any liability that may be incurred following any unlawful behaviour involving market abuse carried out by related parties, or more generally, following behaviour that breaches the principles of confidentiality.

This procedure is an essential component of the internal control and risk management system of the company, and the overall system in place to prevent offences pursuant to Legislative decree no. 231 of 8 June 2001, and more specifically, the Organizational model adopted by the Company for that purpose.

The rules of procedure referred to herein bind all Company employees, the members of the Board of Directors and of the Board of Statutory Auditors, and all those who maintain an advisory relationship or collaboration with the Company and/or the Group.

Moreover, since 2006, the Company, as required by Consob, has established and regularly updated a register of persons who, by virtue of their job or professional duties or by virtue of the functions performed, have access to inside information and has prepared the implementation procedure related thereto.

With the entry into effect of the new "Market Abuse Regulation", a new procedure was set up to list the parties who have access to inside information (insider list procedure) which is closely connected to internal policies relating to the management and communication to the public of inside information and communication of the transactions carried out by key Company parties relating to shares (or related financial instruments) issued by the Company.

The procedure was adopted in accordance with current legislation to meet the obligations of Italmobiliare to draw up a list (List) of persons who, due to their working or professional activities, or the jobs carried out, have access to inside information pursuant to article 7 of Regulation no. 596 of the European Parliament and of the Council of 16 April 2014 (Regulation no. 596/2014).

The Organizational, Management and Control Model adopted by the Company in accordance with Legislative Decree no. 231/2001 provides, *inter alia,* that it should be established as an instrument to prevent the offences provided for under market abuse regulations.

The Procedure shall apply each time a party manages or has access, even on an occasional basis, to inside information.

In accordance with current legislation, inside information refers to information that:

- is precise;
- has not yet been made public;
- concerns, directly or indirectly, Italmobiliare or its financial instruments;
- could, if made public, have a significant effect on the price of the listed financial instruments issued by Italmobiliare or its related derivative prices.

Information is considered to be valuable if it refers to a series of existing circumstances or which could be reasonably expected to be created, or an event that occurred or that could be reasonably be expected to occur and if that information is sufficiently specific to allow conclusions to be drawn on the possible effect of said set of circumstances or said event on the prices of the financial instruments or the related derivative financial instrument, of the related spot contracts on commodities.

For information that, if communicated to the public, could probably have a significant effect on the prices of the financial instruments or the financial derivatives or the related spot contracts on commodities, we mean information that an investor could reasonably probably use as one of the elements on which to base his/her investment decisions. The information will cease to be considered inside information when it has been disclosed to the public pursuant to current legislation and regulations, in accordance with the principle of equal access to information.

The Company will establish and maintain the List in accordance with management procedures that ensure easy consultation and extraction of the data contained, accuracy and inability to change the data, traceability of the accesses to permit subsequent checks and obtain previous versions, also adopting adequate safety, completeness and confidentiality procedures for the data, and the management of so-called "delays".

The List will be kept on a computer and can only be accessed by the Party in Charge, or the parties who are expressly authorised by the Party in Charge, who belong to the Legal and Tax Affairs function.

The List will be structured to contain at least the following information:

a) date and time of creation of the List section, or identification of the inside information;
b) description of the specific inside information;
c) date and time of the most recent update;
d) date sent to the competent Authorities;
e) identification details of the listed party;

f) if it is a natural person, name, surname (maiden name if different), tax code (or other national identification number if it is a foreign party), place and date of birth, complete private address (road and number of house, location, area code and country), work telephone numbers (direct land line and mobile phone numbers), private telephone numbers (house and personal mobile phone number), email address;

g) if it is a company or other legal entity, body or professional association: name, complete address of the registered office, tax code or VAT number, indication of the reference natural person who can identify and inform the persons who have access to the inside information in the legal entity, body, or association (for that reference person, all the data required under “natural person” mentioned above are also required);

h) position in the company or organizational responsibility of the person listed or office where the person works in the Company;

i) reason for inclusion in the list;

j) date and time at which the person on the List had access to the inside information;

k) date and time at which that person ceased to have access to the inside information.

The List is updated by entering the information and data sent to the Officer in Charge in accordance with this Procedure or known directly by this person.

If the Company has decided to delay communication of the inside information to the public, the Officer in Charge will manage the “delay” in accordance with the procedures.

6.0 INTERNAL BOARD COMMITTEES

In order to ensure the effective performance of its functions, the Company’s Board of Directors has set up an internal Remuneration Committee and a Control and Risk Committee whose resolutions provide advice and make proposalsbut are not binding for the Board.

Moreover, pursuant to the rules applicable to transactions with related parties, the Board established an internal Committee for Transactions with Related Parties, composed of independent directors only.

Lastly, the Board of Directors has set up, internally, an Investments Committee with the task of supporting and assisting the Chief Executive Officer and the management in the definition of portfolio strategies and in the evaluation of investment opportunities proposed by operating structures, to be approved by the competent administrative body.

In carrying out their functions, the committees are entitled to access corporate information and functions necessary for the performance of their duties, and may use external consultants at the expense of the Company.

Each Committee appoints a secretary, who does not need to be a member thereof and is entrusted with the task of drawing up the minutes of the meetings.

Control and Risk Committee

In compliance with the provisions of the Code, the Control and Risk Committee has the task of supporting, through adequate preparatory work, the assessments and decisions of the Board of Directors relating to the Internal Control and Risk Management System, as well as those regarding the approval of annual and interim reports.

The Control and Risk Committee comprises three members, all non-executive, two of which are independent, and it is chaired by Ms Carolyn Dittmeier. As required by the Code with reference to at least one component, the requirement to have adequate expertise in accounting and finance has been met.

During 2016, the Control and Risk Committee met nine times, always with the participation of all its members. The average duration of meetings was about two and a half hours. The Board of Statutory Auditors participated in full in five meetings and two Statutory Auditors attended the remaining ones.

During 2016, the Committee, among other things:

a) examined and approved the methodology used by the Company for the preparation of impairment tests;

b) acknowledged the correct implementation of the accounting policies and their consistency for the purposes of preparing the consolidated financial statements;

c) reviewed and approved the 2016 Audit Plan and checked its results;

d) examined and proposed some amendments at the Internal Audit Charter for subsequent approval by the Board of Directors;

e) analysed the setting of the risk management at Group level;

f) examined the reports prepared by the Head of Internal Audit to verify the adequacy, efficiency and effectiveness of the Internal Control System;

g) met the equivalent committees of the main subsidiaries;

h) reported to the Board of Directors, when approving the annual and interim reports, on its activities and on the adequacy of the Internal Control and Risk Management System as well as with reference to a specific task assigned by the Board of Directors.

Managers of the Company responsible for the matters on the agenda are regularly invited to the meetings of the Control and Risk Committee to provide the appropriate in-depth information; first and foremost, the Manager responsible for preparing the Company’s Financial Reports (*Dirigente Preposto*) and the Head of Internal Audit.

During 2017, the Control and Risk Committee has so far met twice to discuss, among other things, the impairment test methods for 2016, the accounting policies adopted for the preparation of the 2016 consolidated financial statements, the updating of the organizational structure, the attribution of powers and the Audit Plan for 2017, the latter in turn submitted to the approval of the Board of Directors at its meeting of 18 January 2017.

On 28 February 2017, the Committee also examined the part of this Report regarding the description of the Internal Control and Risk Management System sharing its content.

More information on the composition, function, and attributions of the Risk Control Committee can be found in paragraph 10 below.

Committee for Transactions with Related Parties

The Committee for Transactions with Related Parties is composed of three members, all non-executive and independent and is chaired by Mr. Paolo Sfameni.

The Committee only met once during the year to examine an update note and confirm the fairness opinion relating to the transfer of non-core assets from Italcementi S.p.A to the Company. Those transactions were exempt from the procedural safeguards adopted in accordance with the regulatory provisions in force but were nevertheless submitted to the the Committee for transactions with related parties for scrutiny to ensure the adequacy of the decision-making process.

Investments Committee

The Investments Committee supports and assists the Chief Executive Officer and management in the definition of portfolio strategies and evaluation of investment opportunities, is composed of six members, four of which are independent, and is chaired by the Chief Executive Officer, Mr Carlo Pesenti.

During 2016, the Investments Committee met once, with five of its members attending. The meeting lasted two and a half hours. One member of the Board of Statutory Auditors attended the meeting.

7.0 APPOINTMENT COMMITTEE

Considering the stable presence of a relative majority shareholder which is able to significantly influence the Shareholders' meetings, the Company decided, not to proceed with the establishment of an "Appointment Committee" as it has always taken its decisions in full autonomy proposing people with the appropriate characteristics of competence, prestige, expertise and availability, as provided for by the Code, for the list of candidates to the Board of Directors.

8.0 REMUNERATION COMMITTEE

The Remuneration Committee, under the Code, is responsible for (i) periodically assessing the adequacy, overall consistency and actual implementation of the policy for the remuneration of directors and key management personnel, submitting proposals to the Board of Directors, and (ii) submitting proposals or expressing opinions to the Board of Directors on the remuneration of executive directors and of other directors who hold particular offices, as well as on the setting of performance targets related to the variable portion of such remuneration. The Remuneration Committee is also required to monitor the implementation of the resolutions adopted by the Board, in particular, by verifying the actual achievement of performance targets.

The Remuneration Committee currently in office is made up of three non-executive members, the majority of whom are independent. All of its members are in possession of adequate experience in accounting and finance, as required by the Code for at least one of them. The Committee, in the absence of the concerned parties, examined, and subsequently approved, the remuneration policy for executive directors and/or directors vested with special powers and key management personnel and submitted proposals to the Board of Directors on the remuneration of directors and managers.

During the year the Committee met four times with all its members present; the average duration of its meetings was approximately one and a half hours. All members of the Board of Statutory Auditors attended two meetings, two Statutory Auditors attended one meeting and one Statutory Auditor attended the remaining meeting. The Head of Human Resources is regularly invited to attend the Remuneration Committee meetings.

During 2017, the Remuneration Committee has so far met twice to examine the proposals and give its opinion to the Board of Directors regarding staff bonus policies, to evaluate the achievement of performance targets during 2016 and examine the Remuneration Report.

9.0 REMUNERATION FOR DIRECTORS

General remuneration policies

The Board established a remuneration policy for directors and key management personnel at the Board meeting of 2 March.

Share-based remuneration plans

Please refer to the information in point 2, letter a).

Remuneration for executive and non-executive directors, Directors and Key management personnel

The remuneration for Directors was determined by the Shareholders' Meeting held on 27 May 2014 and, until a new resolution, set such remuneration in the fixed amount of euro 36,000 per year for each director, plus attendance fees for participation at the various board committees, as indicated below:

- euro 6,000 for each attendance at the Executive Committee meetings;
- euro 3,000 for each attendance at meetings of the Remuneration Committee, the Control and Risk Committee and the Committee for Transactions with Related Parties;
- euro 2,500 to pay each member of the Board of Directors appointed as a member of the Supervisory Body for each attendance at meetings of the Supervisory Body.

The General meeting of 27 May 2015 also defined euro 3,000 as the gross compensation to pay each member of the Investments Committee – set up on 24 March 2015 – for the attendance at each of its meetings.

The remuneration of the Chairman, the Chief Executive Officer - Chief Operating Officer, Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) and Head of Internal Audit is determined by the Board of Directors, in the absence of the concerned parties, upon proposal of the Remuneration Committee, having heard the opinion, when required, of the Board of Statutory Auditors and the Control and Risk Committee.

A significant part of the remuneration of the Chairman and the Chief Executive Officer - Chief Operating Officer is linked to the financial performance and the achievement of specific targets set beforehand and determined in accordance with the Remuneration Policy adopted by the Company.

For detailed information please see the Remuneration Report draw up pursuant to Art. 123-ter of TUF and approved by the Board of Directors on 2 March 2017.

10.0 RISK CONTROL COMMITTEE

The Board set up a Risk Control Committee. The Committee comprises 3 directors, including 2 independent (Ms Carolyn Dittmeier, acting as Chairwoman, Mr. Paolo Sfameni, independent, and Mr. Giorgio Bonomi, lawyer). The minutes of the meetings are duly recorded and the Chairman reports on them at the next opportune meeting.

Since the Control and Risk Committee is a body that supports and assists the Board of Directors, its functions are to advice and make proposals, and more specifically it:

a) evaluates together with the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*), after hearing the independent auditors and the Board of Statutory Auditors, the correct application of the accounting policies, as well as their consistency for the purpose of preparing the consolidated financial statements;

b) expresses opinions on specific aspects relating to the identification, measurement, management and monitoring of the Company's main risks, upon request;

c) reviews the periodic reports concerning the assessment of the Internal Control and Risk Management System, as well as the other reports of the Internal Audit Function that are particularly significant;

d) monitors the independence, adequacy, efficiency and effectiveness of the Internal Audit Function;

e) whenever deemed necessary or desirable for a better management of business risks, requires the Head of Internal Audit to carry out reviews of specific operational areas, giving simultaneous notice to the Chairman of the Board of Statutory Auditors;

f) reports to the Board of Directors at least half-yearly, on the occasion of the approval of the annual and interim reports, on the activity carried out, as well as on the adequacy and effectiveness of the Internal Control and Risk Management System;

g) promptly exchanges relevant information with the Board of Statutory Auditors for the performance of their respective tasks.

A total of 9 meetings were held in 2016, with an average duration of 2.5 hours. The Committee has already met twice in the current year.

Upon invitation by the Committee, the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) and the Head of Internal Audit attended all the meetings.

More information on the activities carried out by the Risk Control Committee during the year can be found in paragraph 6 above.

11.0 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

1. Introduction

The Internal Control and Risk Management System (*Sistema di Controllo Interno e di Gestione dei Rischi*, **"SCIGR"**) of Italmobiliare is an essential part of the corporate governance system and is a set of organizational rules, procedures and structures intended to enable the identification, measurement, management and monitoring of the main risks to which the Company and its subsidiaries are exposed.

The Company defined the «Guidelines» for the Internal Control and Risk Management System upon the favourable opinion of the Control and Risk Committee, in compliance with the recommendations of the Code. The guidelines, taking into account the peculiar structure of the Group, which includes some companies subject to the supervision of national supervisory authorities operating through autonomous control bodies (cd. "Group of groups"), seek to ensure consistency and harmonization between the various control tools in place and establish, therefore, the roles and functions involved in the identification, measurement, management and monitoring of the main risks of the Company and its subsidiaries.

The SCIGR Guidelines have been transmitted to the subsidiaries so that they will take them into account in the establishment and maintenance of its internal control system notwithstanding the autonomy and independence of each company.

The SCIGR shall contribute to the management of the Company consistently with the corporate objectives set by the Board of Directors by facilitating the adoption of conscious decisions. It contributes to safeguard the Company's assets, the efficiency and effectiveness of business processes, the trustworthiness, accuracy, reliability and timeliness of financial information, the compliance with laws and regulations as well as with the By-laws and internal procedures.

The SCIGR, in line with the best national and international standards and paying constant attention to the provisions set forth in the Organizational, Management and Control Model, consists of the following three levels of control:

- *1st level:* first line controls carried out by the heads of operating units that identify and assess risks, and define specific actions for their management;
- *2nd level:* functions in charge of defining risk management methodologies and tools and monitoring risks;
- *3rd level:* the Internal Audit Function, as well as any other parties that provide objective and independent aassurance on the design and operation of the overall System.

The Board of Directors, with the assistance of the Control and Risk Committee, sets the criteria to ensure the compatibility of the Group risks' with correct and proper management of the Company and assesses, at least on a half-yearly basis, the adequacy, effectiveness and functioning of the internal control system with respect to the characteristics of the Company.

With reference to the subsidiaries that have their owns and autonomous internal control functions performing tasks similar to the duties assigned to the Control and Risk Committee by the Code, the Control and Risk Committee of Italmobiliare reviews and assesses the reports received from the subsidiaries' relevant functions.

The Board of Directors monitors and examines the risks to which the Company and the Group as a whole are subject, and that, as provided for by the By-laws, are essentially of a financial nature.

A risk model, in compliance with best practices for the identification, evaluation and management of company risks, is being implemented by identifying three main areas: trading portfolio, investments and processes / organizational areas of the holding Company.

This process is operating in the main subsidiaries.

2. Positions and Functions involved

The «Guidelines» for the Internal Control and Risk Management System provide for the involvement of the following corporate bodies and functions:

Board of Directors, with the following tasks:

- examining and approving the Strategic Plan, monitoring periodicly the related implementation;
- defining the risk profile, both as to nature and level of risks, in a manner consistent with the Company's strategic objectives, as determined by the same Board at the time of approval, amendment or revision of the Strategic Plan;
- evaluating the adequacy of the organizational, administrative and accounting structure of the Company as well as of its strategically significant subsidiaries in particular with regard to the Internal Control and Risk Management System;
- upon opinion of the Control and Risk Committee:
- defining, in line with the Company's risk profile, the guidelines of the Internal Control and Risk Management System, also seeing to its updating, so that the main risks concerning the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining, moreover, the level of compatibility of such risks with the management of the Company in a manner consistent with its strategic objectives;
- assessing, at least annually, the adequacy and effectiveness of the Internal Control and Risk Management System with respect to the Company's characteristics and the risk profile assumed, ensuring that:
- duties and responsibilities are allocated in a clear and appropriate manner;
- control functions, including the Head of Internal Audit, the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) and the Supervisory Body have been provided with the appropriate resources for the performance of their duties and are granted an appropriate degree of independence within the corporate structure.
- approving, at least annually, the plan (which should also address the reliability of information systems) drafted by the Head of Internal Audit, having heard the opinion of the director in charge of the Internal Control and Risk Management System and the Board of Statutory Auditors;
- upon proposal of the Director in charge of the Internal Control and Risk Management System, after also hearing the opinion of the Board of Statutory Auditors, appointing and dismissing the Head of Internal Audit, ensuring that the same is adequately provided with the resources to carry out their responsibilities and defining their remuneration in line with corporate policies;
- examining and approving the financial statements for the period.

11.1 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM ("Director in charge")

The Board of Directors identified the Director in Charge as the Chief Executive Officer – Chief Operating Officer at its meeting of 27 May 2014. This position is currently held by Mr Carlo Pesenti.

He has the task of:

a) identifying the main business risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and submit them periodicly to the review of the Board of Directors;

b) implementing the guidelines defined by the Board of Directors, taking care of the planning, implementation and management of the Internal Control and Risk Management System, constantly monitoring its adequacy and effectiveness;

c) proposing to the Board of Directors, after the favourable opinion of the Control and Risk Committee and after hearing the opinion of the Board of Statutory Auditors, the appointment, removal and remuneration of the Head of Internal Audit ensuring its operating independence and autonomy from each head of operating departments, verifying that the same is provided with adequate resources for the fulfilment of the tasks entrusted thereto;

d) adjusting such system to the dynamics of the operating conditions and the legislative and regulatory framework;

e) promptly reporting to the Control and Risk Committee (or to the Board of Directors) issues and problems that resulted from his/her activity or of which he/she became aware in order for the committee (or the Board) to take the appropriate actions.

The Director in charge can also ask the Internal Audit Function to carry out reviews of specific operational areas and on the compliance of business operations with rules and internal procedures, giving simultaneous notice to the Chairman of the Board of Directors, the Chairman of Control and Risk Committee and the Chairman of the Board of Statutory Auditors.

Under the powers granted to him, the Director in charge promoted the development of a Risks Management Model for the identification, assessment and management of the company risks based on various levels.

Moreover, since the two positions coincide, the Director in charge is responsible for issuing, together with the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*), statements on the adequacy and effective implementation of administrative and accounting procedures, the compliance of documents with applicable international financial reporting standards, compliance of documents with book entries and accounting records, the suitability of documents to give a true and fair representation of the financial position and results of operations of the Company and the Group, etc..

11.2 RESPONSIBILITIES OF THE INTERNAL AUDIT FUNCTION

The Head of Internal Audit is entrusted with the task of verifying the functioning and adequacy of the Internal Control and Risk Management System, providing an objective assessment of its suitability to corporate bodies and top management.

He has direct access to all relevant information for the performance of his duties, is not responsible for any operational area and reports to the Board of Directors.

The Head of Internal Audit reports on the Company's risk management process as well as about the compliance with the management plans defined for risk mitigation, and expresses its assessment to the Board of Directors, Control and Risk Committee, to the Director in charge and to the Board of Statutory Auditors on the adequacy of the Internal Control and Risk Management System.

The Board of Directors, at its meeting held on 27 May 2014, after hearing the opinion of the Board of Statutory

Auditors, confirmed Ms Delia Strazzarino as Head of Internal Audit.

The Head of Internal Audit annually illustrates to the Control and Risk Committee the Internal Audit structure, which has been considered appropriate, both in terms of headcount and professional skills, to fulfil the tasks entrusted to it.

Within its "Assurance and Quality Improvement Program", the Internal Audit Function is subject, at least every five years, to a Quality Assurance Review by an independent entity. The last review, finalised in 2012, was considered to be generally compliant with relevant international standards. The Company expects to make a new assignment in 2017.

The Board of Directors, subject to the opinion of the Control and Risk Committee and having consulted with the Board of Statutory Auditors and the Director in charge, approved:

- the Internal Audit Authorisation at the meeting of 14 November 2013. This authorisation, most recently modified by a board resolution dated 13 February 2015, officially defines the mission, objectives, organizational context and responsibilities of the Internal Audit Function, in accordance with the definition of Internal Auditing, with the Code of Ethics and with the International Standards set by the International Professional Practices Framework of the Institute of Internal Auditors;
- the 2017 Audit Plan prepared by the Head of Internal Audit at the meeting of 18 January 2017.

The Internal Audit Function performs its activities directly with reference to Italmobiliare group, except for the subsidiaries that have an independent Internal Audit Function.

At Group level, the Head of Internal Audit coordinates / connects with the homologous functions of the subsidiaries in order to promote uniformity of approach in working tests and adequacy of SCIGR, taking into account the autonomy, independence and responsibility of those subsidiaries and their corporate bodies.

11.3 ORGANIZATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE no. 231/01

In order to make the control and Corporate Governance systems more effective and prevent corporate offenses and offenses against the Public Administration, during 2004, in application of Legislative Decree no. 231/01, the Company Board of Directors adopted an «Organizational, management and control model» (the «Model»). This was subsequently updated in 2006 in line with the law on market abuse and failure to disclose a conflict of interest by directors.

The General Part of the Model is available on the Company's website www.italmobiliare.it in the Governance/Documentation section.

By adopting the Model, the Company intends to disseminate and establish a corporate culture based on legality, with the express censure of all conduct contrary to the law and the regulations contained in the Model itself. Even the subsidiaries with key importance adopted an organizational, management and control model pursuant to Legislative Decree no. 231/01.

There have been numerous amendments and updates in order to reflect legislative actions, which have gradually expanded the scope of Legislative Decree no. 231/01 to include further categories of offenses with respect to those included in its original version.

All updates to the Model, except those of a purely formal nature, have been carried out on the basis of targeted risk assessments performed by consultants specialized in the matters taken into consideration on each occasion. In particular, in 2008, the Model was extended to offenses relating to the violation of the legislation on health and safety in the workplace (section later revised in 2010), on cross-border offenses and offenses for receiving stolen goods and money laundering. In March 2011, several amendments were approved to better design the information flow system among the various supervisory bodies of the Group both in the phase of adoption and amendment of the Models of the subsidiaries and in the phase of communicating any violation of the Model. In October 2012, the

Model was extended to offenses related to organized crime, copyright and computer crime and, finally, during 2014, the Model was updated in order to incorporate the new provisions on the prevention and combating of corruption in public administration, corruption between individuals and the use of third-country nationals.

The task of continuously monitoring the effectiveness and enforcement of the Model, as well as proposing updates, is entrusted to a body, the Supervisory Body, equipped with autonomy, professionalism and independence in the exercise of its functions and adequate experience in the field of control of risks associated with the specific activities carried out by the Company or their legal aspects.

The Supervisory Body is, in compliance with the provisions of the Model, currently made up of an independent director (later appointed Chairman), a third-party advisor and the Company's Head of Internal Audit.

As part of its duties, the Supervisory Body, periodicly meets with executives of the Company in charge of sensitive areas under Legislative Decree no. 231/01, the Board of Statutory Auditors, the Control and Risk Committee, the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) and the representatives of the Independent Auditors in respect of any matters relevant to the prevention of offenses specified in the Model, including those relating to financial reporting.

This body is autonomous and independent in the exercise of its functions, and its members have adequate qualifications in the field of risk control associated with the specific activities carried out by the Company and its legal aspects. It reports directly to the Board of Directors, which appoints it with a motivated resolution with respect to each member, chosen solely on the basis of qualifications, integrity, competence, independence and functional autonomy requirements.

The Supervisory Body is granted with autonomous initiative and control powers within the Company in order to efficiently exercise its functions.

The Supervisory Body periodicly, and at least every six months, prepares a written report on its activities sending it, together with a documented statement of expenses incurred, for the Chairman of the Board of Directors, the Chairman of the Board of Statutory Auditors, the Chairman of the Control and Risk Committee and the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*). Such reports may contain proposals for additions and amendments to the Model. The aforementioned periodic report must at least contain or highlight:

(i) any problems arising with regard to implementation of the procedures set forth in the Model, adopted in implementation of or in the light of the Model and the Code of Ethics of the Company;

(ii) the warning reports received from internal and external parties in regard of the Model;

(iii) disciplinary procedures and penalties, if any, applied by the Company, with exclusive reference to activities at risk;

(iv) an overall assessment of the effectiveness of the Model with possible instructions for additions, corrections or changes.

Various company Functions, which must, to the extent of their competence, ensure the identification, measurement, management and supervision of the main risks related to group operations. Those shall ensure the proper performance of group transactions and, in particular, the correct representation of the information provided, as well as the efficient and effective implementation of administrative and accounting procedures in the areas under their responsibility.

Lastly, in this context, the Board of Statutory Auditors, as part of the tasks assigned to it under applicable laws, among other things, oversees the financial reporting process and effectiveness of the internal control, internal audit and risk management systems.

The sharing and integration of information generated in the various areas is ensured by a structured information flow. In this regard, the quarterly report of the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) is, for example significant as it reports, among other things, on the results of the performed activities, the problems that emerged, the identified action plans and their progress. The same officer, together with the Chief Executive Officer, also supplied the certificate referred to in paragraph 5 of Art. 154-bis of TUF.

Description of the main features of the Internal Control and Risk Management System in regard of the financial reporting process.

Stages of the risk management and internal control system

The risk management and internal control system in relation to the financial reporting process consists of a set of corporate rules and procedures, adopted by the various operating structures, aimed at ensuring trustworthiness, accuracy, reliability and timeliness of financial reporting.

Italmobiliare has defined its own operating Model to comply with the Law on savings (hereinafter, in short, **"Operational Model"**), detailing the operational approach for the performance of activities. This Model is based on the principles contained in the CoSO framework and in the document "Internal Control over Financial Reporting - Guidance for Smaller Public Companies", also developed by CoSO.

In this Model, the risk control system is considered together with the internal control system in relation to the financial reporting process.

The Operational Model defined by Italmobiliare is based on the following main elements:

a) **Preliminary analysis.** This activity, carried out on an annual basis and whenever deemed necessary, is aimed at identifying and assessing the risks related to the Internal Control and Risk Management System with regard to financial reporting, in order to determine priorities for the actions related to documentation, assessment and testing of administrative and accounting procedures and related controls. The identification of the relevant quantities and processes is based on quantitative (weight of revenue and assets of a single entity on consolidated amounts, the carrying amount of consolidated financial statement items related to a particular process) and qualitative (the Country in which an entity operates, specific risks, risk levels assigned to the various items) factors;

b) **Operational planning.** Every year the activities are planned on the basis of the priorities identified through the preliminary analysis and other assumptions, if any;

c) **Analysis of controls at company level.** The individual companies, within the area of action identified in the preliminary analysis,, are responsible for i) assessing the effectiveness of the internal control system in relation to the governance principles used at entity level (Entity Level Controls), as well as for ii) the overall management of the information systems used in the main financial reporting processes and the related IT structure (Information Technology General Controls). This must be carried out in accordance with the deadlines established during operational planning and on the basis of the guidelines, instructions and templates provided by the the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*);

d) **Analysis of controls at process level**. The individual companies, within the area of action identified in the preliminary analysis, are responsible for the related activities: i) documenting, with varying levels of detail depending on the level of risk allocated, the identified administrative and accounting processes, ii) performing tests to check the effective operation of controls, in accordance with the deadlines established during operational planning and on the basis of guidelines, instructions and templates provided by the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*);

e) **Assessment of the adequacy and effective operation of the administrative and accounting procedures and related controls**. In order to guarantee compliance with the key financial reporting requirements ("financial statement assertions"), the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*), on the basis of the results of the carried out activities and the obtained documentation, assesses the overall adequacy and effective operation of the system of administrative and accounting procedures and the related controls, and more generally, the Internal Control System for these areas.

The Internal Control and Risk Management System, with reference to the financial reporting process has also benefited from:

- the ongoing development of an integrated Corporate Governance system (Organization notices, corporate processes and procedures);

- a more detailed organization and planning in relation to the provisions of Law No. 262 of 28 December 2005, containing "Provisions for the protection of savings and the regulation of financial markets" and the subsequent corrective decrees (hereinafter, in short, the "Law on Savings"), enacted by law-makers for the purpose of increasing the transparency of financial reporting and strengthening the internal control system of listed companies.

Overall Assessment of the Internal Control and Risk Management System

The Board of Directors, based on the evaluations and information collected with the support of the preliminary activity performed by the Control and Risk Committee, with the assistance of the Director in charge, the Head of Internal Audit and the Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto), , notes that are not been reported issues which would invalidate the overall adequacy and effectiveness of the Internal Control System and Risk Management with respect to the structure of the Company and the Group and the characteristics of the business. Some improvement projects are bein monitored as a consequence of the new Group configuration.

The Internal Control and Risk Management System is, in any case, subject to continuous improvement through monitoring and systematic design of improvement initiatives, consistent with international models of reference.

11.4 INDEPENDENT AUDITORS

The audit of the company's accounts, as required by the current applicable laws, is entrusted to independent auditors appointed at the Shareholders' Meeting, upon proposal of the Board of Statutory Auditors.

The task of auditing the separate financial statements of Italmobiliare, the consolidated financial statements of Italmobiliare Group and performing a review of the consolidated financial statements of Italmobiliare Group for the years 2010-2018 has been assigned to **KPMG S.p.A.** at the Shareholders' Meeting held on 29 April 2010. This appointment will expire on 31 December 2018.

11.5 THE MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS (DIRIGENTE PREPOSTO) AND OTHER COMPANY ROLES AND DUTIES

Pursuant to the By-laws, the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) must:

1) be qualified as a manager and meet the requirements of good reputation set forth by law for members of the Board of Directors;

2) have a total of at least three years' experience in performing administrative/accounting and/or financial and/or control activities at the Company and/or its subsidiaries and/or at other joint-stock companies.

The the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) of Italmobiliare acknowledges and evaluates the reports on the activities performed by the internal control and risk management bodies of the main Group companies.

Following the change in the organizational structure of the Company and assignment of Mr Giorgio Moroni to a different position, the Board of Directors meeting held on 13 September 2016, appointed Mr Guido Biancali as the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) pursuant to Art. 154-bis of

TUF and Art. 29 of the By-laws.

The appointment of Mr Biancali will expire upon completion of the term of office of the current Board of Directors, i.e. with the approval of the 2016 financial statements.

The Board of Directors, upon appointment, provided such Manager with autonomous financial resources to exercise the powers granted to him with the duty to report to the Board of Directors on the financial resources used every six months. Furthermore, the Board of Directors, upon proposal of the Remuneration Committee, defines, at the time of appointment and then annually, the remuneration of the the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*).

The Company, in connection with the provisions of the Law on Savings, adopted a specific Regulation which, in compliance with legal provisions, the By-laws and following current best practices, among other things:

- defines the responsibilities of the the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) of Italmobiliare and specifies his/her related powers;
- identifies the responsibilities and method for the appointment, removal and termination of office of the the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*), the length of service and the requirements in terms of professional skills and good reputation;
- reports on the principles of conduct which the Company the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) must comply with in the event of conflicts of interest as well as the confidentiality obligations to be observed in carrying out his/her activities;
- indicates the responsibilities, powers, and resources granted to the the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) for the exercise of his/her duties, identifying the financial and human resources needed to carry out the mandate;
- defines dealings with other Company bodies/functions, with the Corporate Bodies, the internal and external supervisory Bodies and with subsidiaries, regulating the relevant information flows;
- illustrates the internal and external attestation process in reference to: a) the statements of the the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) regarding the correspondence of the Company's acts and communications disclosed to the market with its documents and accounting books and entries; b) the statements of the the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) and of the executives relating to the annual financial statements, the condensed interim financial statements and the consolidated financial statements.

In its meeting of 31 January 2017, following the change in the organizational structure of the Company, the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) updated its Regulations to incorporate the new organisational provisions. The Regulation, approved by the Board of Directors, is intended for all the entities, functions, corporate bodies of Italmobiliare, as well as all the companies that it directly or indirectly controls. The Regulation has been circulated to the staff of the Company, the subsidiaries, as well as to all those considered affected by its contents. At the same time, the relevant Operational Model was updated at the same time as the Regulation in order to ensure its optimization and simplification.

The functions and duties of the "Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*)" provided for in the Regulation include the following:

a) planning adequate administrative and accounting procedures for the drafting of the financial statements, the condensed interim financial statements and the consolidated financial statements, as well as any other financial reporting, updating such procedures and ensuring dissemination and compliance, as well as verifying their effective application;

b) assessing, together with the Control and Risk Committee and the independent auditors, the correct application of accounting policies and their uniformity for the purposes of the consolidated financial statements;

c) handling the periodic reporting to top management and the Board of Directors on the activities undertaken;

d) managing the periodic review of the risks' assessment activities and updating the mapping of financial reporting risks;

e) taking part in the development of IT systems that have an impact on the Company's financial positions and results of operations.

11.6 COORDINATION BETWEEN PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The various parties involved in the internal control and risk management system (Board of Directors, director in charge of internal control and risk management, risk and control committee, head of internal audit, Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*), and the other corporate roles and functions with specific duties in the area of internal control and risk management, Board of Statutory Auditors) coordinate their activities by exchanging information, planning ad hoc meetings and taking part in the meetings of the individual bodies.

12.0 INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

On 12 November 2010, based on the positive opinion of the specifically appointed Committee for Transactions with Related Parties, the Company's Board of Directors adopted the Procedure for Transactions with Related Parties envisaged by the Consob Regulation of 12 March 2010. The procedure was slightly amended in 2013 with i) the extension of the scope of correlation to the members of the supervisory body, with the express clarification that, if it is also made up of employees of the Company, these are not to be considered as "Key management personnel" and ii) the introduction of a different small-amount thresholds for transactions with individuals and those with legal entities.

Finally, on 14 November 2014, confirming the commitment of the Company to adhere to best practice and the guidelines of the Supervisory Authority, the Board of Directors, upon proposal of the Committee for transactions with related parties, deemed it appropriate to make further changes to the Procedure in force taking into account the inspiring guidelines of the regulation and underlying interests. The amendments concern, in particular: 1) the clarification of the definition of an ordinary transaction; 2) identification of some correlation indexes that allow a specific monitoring by the Company on transactions carried out with counterparts formally unrelated but that, in substance, could exert influence on the decision-making process; 3) the competence to identify transactions with counterparties having an index of correlation; 4) the provision of a quarterly report to be addressed to the members of the Committee with regard to transactions entered into with counterparties with an index of correlation; 5) the possibility of the Committee to identify - based on indices of significance relating to transactions entered into with counterparties having an index of correlation - the transactions to be submitted in advance to the investigation procedure provided for minor transactions.

Therefore, the Procedure, in compliance with art. 2391-bis of the Italian Civil Code, sets out the measures adopted by the Company to ensure that transactions undertaken with related parties and counterparties having an index of correlation, whether directly or through subsidiaries, are carried out transparently and in compliance with criteria of substantial and procedural correctness.

In particular, with the exception of some situations, the Procedure provides for the authorization process and the disclosure requirements for transactions between i) a party related to Italmobiliare, on the one hand, and ii) Italmobiliare, on the other, or one of its subsidiaries when, before completing the transaction, the prior examination or authorization by a corporate body of Italmobiliare or by an officer of Italmobiliare vested with the relevant powers is required. The Procedure also applies to transactions undertaken by Italmobiliare with a subsidiary or an associate, as well as between its subsidiaries, when the transaction involves significant interests of a related party of Italmobiliare.

The Procedure distinguishes «significant» transactions from «minor» transactions on the basis of specific quantitative criteria set by Consob. This distinction is also relevant for determining applicable rules on transparency, which are simplified for minor transactions and more stringent for significant transactions, although both envisage the prior opinion of the Committee for Transactions with Related Parties.

The Committee has:

- the duty to give and explain its opinion on both minor (non-binding opinion) and significant (binding opinion) transactions;
- the right, for significant transactions, to take part in the negotiations and in the preliminary investigation stage through the receipt of a complete and prompt information flow, and the right to ask for information and to submit its remarks to the delegated bodies and to those in charge of negotiations or the preliminary investigation;
- the possibility to request the prior examination of the transactions that the Company will enter into with counterparties having an index of correlation, taking into account some indices of significance;
- the right to seek the assistance, at the Company's expense, of independent experts of its choice.

In the case of minor transactions, the Procedure envisages the right, in any case, to execute the transaction even if the Committee for Transactions with Related Parties expresses a negative opinion, provided that this is disclosed to the market through a specific document setting out the reasons for such divergence.

Moreover, the Company By-laws provide that (i) significant transactions with related parties can be performed despite the negative opinion of the Committee for Transactions with Related Parties provided that the execution of such transactions is authorized by the Shareholders' Meeting on condition that the majority of non-related shareholders do not cast a vote contrary to the transaction and the non-related shareholders present at the Shareholders' Meeting represent at least 10% of the share capital with voting rights (so called whitewash); and that (ii) the Company may apply the simplified rules in cases of urgency unless the transaction is competence of the Shareholders' Meeting and requires its authorization.

Finally, exercising the powers contained in the Regulations issued by Consob, the Company identified the following main grounds for exclusion:

- transactions of smaller amounts (transactions that do not exceed euro 500,000 if carried out with related legal entities and transactions that do not exceed euro 300,000 if carried out with related private individuals);
- ordinary transactions (which fall within the ordinary course of business operations and related financial activities of the Company and of the Group in general), if they are concluded on terms equivalent to market or standard conditions;
- transactions with or between subsidiaries or with associates, unless there are significant interests of other parties related to the Company in the subsidiaries or associated taking part in the transaction;
- urgent transactions.

The Procedure is available on the Company's website www.italmobiliare.it.

Without prejudice to the provisions contained in the above procedure, transactions with related parties must be carried out transparently and in accordance with criteria of substantial and formal correctness. Therefore, the directors who have an interest, even potential or indirect, in the transaction are required to:

a) promptly and fully inform the Board about the existence of the interest and the circumstances regarding it;

b) leave the board meeting room during the vote.

The Board of Directors, however, under specific circumstances, may allow the director concerned to participate in the discussion and/or vote.

13.0 APPOINTMENT OF THE STATUTORY AUDITORS

The Board of Statutory Auditors is appointed on the basis of lists aimed at ensuring the appointment of one Standing Statutory Auditor and one Substitute Auditor for non-controlling shareholders, as well as compliance with current legislation regulating gender balance.

Lists must be filed at the Company head offices or by sending notice to the certified electronic mail address indicated in the notice of call, at least 25 days before the date set for the Shareholders' Meeting in first or single call; this, together with the procedures and minimum stake required to file the lists, must be mentioned in the notice of call.

Lists may only be presented by Shareholders who, alone or together with other shareholders, are able to provide evidence that they hold a percentage of the share capital with voting rights no lower than that determined by Consob pursuant to the regulations in force concerning the appointment of the Board of Directors.

No shareholder may file or participate in the filing of more than one list, directly or through a nominee or trust company, or vote for different lists. Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the Company shares may not file or vote for more than one list, neither through a nominee or trust companies.

Lists filed in violation of these restrictions will not be accepted.

Each candidate may be on one list only under penalty of ineligibility.

The lists that have a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other gender is represented by at least one third (rounded upwards) of candidates for the office of Standing Statutory Auditor and at least one third (rounded upwards) of the candidates for the office of Substitute Auditor. At the time of their filing, lists must include:

a) statements whereby individual candidates:
   * accept their candidature;
   * state, under his/her own responsibility:
     - possession of the professional requirements envisaged by the By-laws;
     - the non-existence of causes of ineligibility or incompatibility;
     - possession of the good reputation requirements established by the law;
     - possession of any independence requirements that may be required by the law and the Code;
b) a brief curriculum on the personal and professional skills of each candidate with an indication of their position as director and statutory auditor in other companies;
c) information on the identity of the shareholders who have presented lists. The certification or statement proving ownership of the shareholding prescribed by the law in force when the list is presented may also be produced after the filing of the list provided that it reaches the company within the term envisaged by the regulation in force for the publication of lists by the Company;
d) a statement by the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection, as defined by the law in force.

A filed list that does not comply with the above provisions will be considered as not filed.

In the event that, by the deadline of 25 days preceding the date of the Shareholders' Meeting, a single list has been filed, or only lists presented by shareholders who are connected to each other pursuant to current regulations, further lists can be presented until the following third day and the participation threshold indicated in the notice of call will be halved.

At least 21 days before the date envisaged for the Shareholders' Meeting which is called to appoint the Board of Statutory Auditors, the Company shall make available the lists of candidates which have been submitted by shareholders and the accompanying documentation at its head offices, at the Italian stock exchange and on its website.

In the event of more than one list is filed:

- the list that obtains the highest number of votes at the Shareholders' Meeting elects two Standing Statutory Auditors and two Substitute Auditors, in the order in which they are listed in the sections of the list;
- the non-controlling shareholders' list that obtains the highest number of votes among the lists presented and voted by shareholders who are not connected in any way, directly or indirectly, with the majority shareholders, elects the third Standing Statutory Auditor and the third Substitute Auditor, in the order in which they are listed in the sections of the list;
- should more than one list obtain the same number of votes, a runoff is held on these lists among all the shareholders present at the Shareholders' Meeting, and the candidates are elected from the list that obtains the majority of the share capital represented at the Shareholders' Meeting.

Should a party connected to a majority shareholder vote for a list of the non-controlling shareholders, the connection is relevant for the purposes of excluding the non-controlling shareholders' elected statutory auditor only if this vote was crucial for the election of said statutory auditor.

Should a single list be presented, all the candidates included in that list are elected with a simple majority vote of the share capital represented at the Shareholders' Meeting.

If, as a result of voting several lists or voting the only list presented, the composition of the Board of Statutory Auditors, as to its acting members, does not meet the current regulations regarding balance between genders, the necessary replacements will be made choosing from among candidates to the office of Standing Statutory Auditor of the list that has obtained the highest number of votes or from within the only list presented starting from the last candidate from that list.

Should no lists be presented, the Shareholders' Meeting appoints the Board of Statutory Auditors with a simple majority vote of the share capital represented at the Shareholders' Meeting, provided gender balance is ensured as pursuant to current legislation in force. The Chairmanship of the Board of Statutory Auditors lies with the person indicated in first place on the list presented and voted by the non-controlling shareholders, or with the first name in the single list presented or with the person appointed as such by the Shareholders' Meeting should no lists be presented.

Pursuant to the By-laws of Italmobiliare, those who are in situations of incompatibility as envisaged by the law or those who have exceeded the limit to the number of offices held as established by the regulation in force, cannot be elected as Statutory Auditors, and if elected cease to serve.

Should an elected Statutory Auditor during his/her term of office no longer meet the requirements envisaged by the law or the By-laws, his/her office terminates.

When it is necessary to replace an Standing Statutory Auditor, the Substitute Auditor belonging to the same list as the removed Statutory Auditor takes over.

In the absence thereof, in accordance with the original order of presentation, the candidate from the same list as the outgoing Statutory Auditor takes over, without taking the initial section into account.

Should the replacement concern the Chairman of the Board of Statutory Auditors, the position will be taken over by the Statutory Auditor of the non-controlling shareholders.

The Statutory Auditors appointed in this manner hold office until the following Shareholders' Meeting.

Should it be necessary to supplement the Board of Statutory Auditors:

- to replace a Statutory Auditor elected from the majority shareholders' list, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the original majority Shareholders' list;
- to replace a Statutory Auditor elected from the non-controlling shareholders' list, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the original non-controlling shareholders' list;
- for the simultaneous replacement of Statutory Auditors elected in the majority and the non-controlling shareholders' lists, the appointment occurs with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the list which each Statutory Auditor to be replaced was part of, with a number of Statutory Auditors equal to the number of ceased Statutory Auditors belonging to the same list.

If it is not possible to proceed as above, the Shareholders' Meeting called to supplement the Board of Statutory Auditors passes a resolution with a simple majority of the share capital represented at the Shareholders' Meeting, without prejudice to the principle whereby one Standing Statutory Auditor and one Substitute Auditor must be appointed by non-controlling shareholders. In any case, the Chairmanship of the Board of Statutory Auditors must be assigned to the Statutory auditor representing the non-controlling shareholders. The procedures on replacements as indicated in the previous paragraphs must in any case ensure compliance with current legislation regulating gender balance.

Statutory Auditors accept their appointment when they believe they can devote the appropriate time to the diligent performance of their duties.

According to the Code, the Statutory auditors are chosen among people who may be qualified as independent according to the criteria that the same states with regard to directors.

14.0 COMPOSITION AND FUNCTION OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors will monitor compliance with the law and the By-laws, and has management control functions, more specifically, ensuring: i) compliance with the principles of good administration; ii) adequacy of the Company's organizational structure, the internal control system and the administrative and accounting system; iii) actual implementation of the Code; iv) compliance with the procedure adopted by the Company in respect of transactions with related parties; v) adequacy of the instructions given by the Company to its subsidiaries in respect of the obligations of public disclosure of inside information.

It is not entrusted with the legally-required audit of the company's accounts, which, as required by law, is entrusted to an independent auditor chosen among those enrolled in the appropriate register, while it has the task to submit a reasoned proposal to the Shareholders' Meeting regarding the appointment of such independent auditors.

The Board of Statutory Auditors, in its capacity as Control and Risk Committee, as established by Legislative Decree no. 39 of 27 January 2010, is also required to perform additional supervisory tasks, as assigned to it by such legal provisions, on the financial reporting process, on the effectiveness of the internal control, internal audit and risk management systems; on the audit of the separate financial statements and consolidated financial statements and on the independence of the audit firm.

When renewing the Board of Statutory Auditors at the Shareholders' Meeting of 27 May 2014, the relative majority shareholder presented its own list of candidates while three non-controlling shareholders - *RWC Asset management, Amber Global Opportunities Master Fund and Fidelity Funds International* – presented their own list on a joint basis.

Therefore, according to current regulations and Company By-laws, the Chairmanship was granted to Mr Francesco Di Carlo, from the list presented by the above-mentioned non-controlling shareholders while the remaining two Standing Statutory Auditors were elected from the list presented by the relative majority shareholder.

All the members are independent pursuant to the TUF and also meet the independence requirements provided for by the Code for directors. According to the rules on gender balance, a third of the members is reserved for the less represented gender.

The composition of the Board of Statutory Auditors is shown in the table below. The curricula vitae of the Statutory Auditors are published on the Company's website.

The Board of Statutory Auditors, during 2016, held a total of twelve meetings attended by all its members, with the exception of one meeting, attended by two Statutory Auditors.

At meetings of the Board of Statutory Auditors have been invited to participate the independent auditors KPMG, the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*), the Head of Internal Audit and other department managers of the Company to provide the necessary information on issues from time to time on the agenda.

The average duration of the meetings of the Board of Statutory Auditors held during the year was about two hours.

15.0 SHAREHOLDER RELATIONS

The Company endeavours to develop a dialogue with shareholders based on an understanding of each other's roles, and with the market, in accordance with the laws and rules governing the dissemination of inside information. The Company's behaviour and procedures are designed, among other things, to avoid information asymmetries and to ensure the effectiveness of the principle whereby all investors and potential investors are entitled to receive the same information in order to make sound investment decisions.

The Shareholders' Meeting is called, according to the laws and regulations provided for companies whose shares are listed on regulated markets, to pass resolutions on matters reserved to it by law. The decisions taken in accordance with the law and the By-laws are binding on all shareholders, including those absent or dissenting, except the right of withdrawal in allowed cases.

The Board of Directors recommends to all of its members to regularly participate in Shareholders' Meetings and seeks to encourage and facilitate the widest possible participation of shareholders and to facilitate the exercise of voting rights.

To this end, the Board of Directors reports to the Shareholders' Meeting on the activities it has carried out and planned and endeavours to ensure that shareholders have adequate information so that they can take the decisions pertaining to the Shareholders' Meeting with knowledge of the facts.

All those who have the right to vote as attested by the communication required by current laws received by the Company by the end of the third trading day prior to the date fixed for the Shareholders' Meeting on single call, are entitled to attend the Shareholders' Meeting. The right to attend and vote is retained if the communications are received by the Company after the deadline, as long as they are received by the beginning of the Shareholders' Meetings proceedings of the single call.

The Company may designate a person, giving a clear indication thereof in the notice of call, for each Shareholders' Meeting to whom all eligible parties may grant a proxy with voting instructions on all or some of the proposals on the agenda, in the manner provided for by applicable law.

No Shareholders' Meeting regulation has been set forth since the broad powers that the law and jurisprudence recognize to the Chairman, as well as the provision of the By-laws (Art. 13) that expressly gives the Chairman the power to direct the discussion and establish order and method of the vote, provided it takes place by recorded vote, are considered adequate tools for the orderly conduct of shareholders' meetings .

With regard to market relations, the Chairman and the Chief Executive Officer - Chief Operating Officer, within their respective responsibilities, provide the guidelines that the responsible structures should follow in dealing with institutional investors and other shareholders. To this end, the Investor Relations function, whose responsibility was entrusted to **Mr Enrico Benaglio**, was established as part of the Investment Management Department.

Moreover, in order to provide timely and easy access to information concerning the Company and, therefore, allow the shareholders to consciously exercise their rights, a special section of the Company's website was set up, easily identifiable and accessible, where information regarding the Shareholders' Meetings is given, with particular reference to the arrangements for attendance and exercise of voting rights at the Shareholders' Meetings, the documentation relating to items on the agenda, including Reports on the items on the agenda and the list of candidates for the positions of director and statutory auditor with an indication of their personal and professional characteristics.

16.0 SHAREHOLDERS' MEETINGS.

Please refer to section 15.0.

17.0 FURTHER CORPORATE GOVERNANCE PROCEDURES

Further corporate governance procedures adopted by the Company are described below.

17.1 CODE OF ETHICS

The Code, approved for the first time in 1993 and further modified, envisages that all employees and those who deal with the Group or act to achieve its objectives shall base their dealings and conduct on principles of honesty, fairness, integrity, transparency, confidentiality and mutual respect.

To this end, at its meeting of 9 February 2001, Italmobiliare's Board of Directors approved the current version of the Code of Ethics which defines the rules for loyalty and fidelity, impartiality, protection of privacy and confidentiality of information and the protection of people, the environment and company assets. The Code establishes the provisions which are the basis of the control processes and the financial and management reporting information, and introduces rules to govern dealings with customers, suppliers, public institutions, political organizations. trade unions and the media.

Every person registered in the insider list is obliged to maintain confidential all inside information they handle or which they have access to until the same has been disclosed to the public in accordance with the principle of equal access to information.

17.2 CODE OF CONDUCT

The Company has adopted its own "Code of Conduct", originally in implementation of the provisions issued by Borsa Italiana S.p.A. with its own regulation and also to take account of the new regulatory provisions issued by CONSOB in execution of European provisions (the so-called Market abuse directive) introduced by the Law on Savings of 2005. On 29 November 2016, the Board of Directors of the Company, as a result of the entry into effect of EU

Regulation no. 596/2014 ("Market Abuse Regulation") and related implementing provisions, approved a new procedure relating to the fulfilling of internal dealing obligations.

The Code of Conduct, adopted by the Company in application of the rules in effect, governs the obligations and communication procedures, and behaviour, regarding the Transactions relating to financial instruments issued by the Company, carried out by parties who exercise the administration, control or management functions, or anyone who holds shares equal to or higher than 10% (ten per cent) of the share capital of the Company, represented by shares with voting rights, or any other party who controls the Company (Persons discharging managerial responsibilities "PDMRs") and Persons Closely Associated.

The aim of the Code of Conduct is to:

- identify the PDMRs of the Company who have to make the communications described under article 19 of (EU) Regulation no. 596 of the European Parliament and of the Council of 16 April 2014;
- define the communication methods - by the PDMRs to the Company - of information relating to transactions on shares, negotiable instruments, derivative instruments, or other related financial instruments, carried out by them or the Persons Closely Associated,
- and define the management procedures, by the Company, for the communications received and fulfilment of their distribution obligations, identifying the party authorised to receive, manage, and distribute these communications to the market.

The provisions of the Code of Conduct form an integral part of the corporate rules, and therefore all the PDMRs must duly comply with them.

The Code of Conduct is also an essential component of the internal control and risk management system of the Company, and the overall system in place to prevent offences pursuant to Legislative Decree no. 231/2001, and more specifically, the Organisational model adopted by the Company for that purpose.

For the purpose of the Code of Conduct, in accordance with article 19, paragraph 1 and article 3, paragraph 1, point 25) of the (EU) Regulation no. 596/2014 relating to market abuse, and article 114, paragraph 7 of Legislative Decree no. 58/1998, the following can be classified as PDMRs:

a) members of the Board of Directors and the Board of Statutory Auditors of Italmobiliare;

b) all other managers of the Company who have regular access to inside information relating directly or indirectly to the Company, and have the power to make managerial decisions affecting the future developments and business prospects of the Company;

c) anyone who holds shares equal to or greater than 10% (ten per cent) of the share capital, represented by shares with voting rights, and any other party who controls the Company.

The Chief Executive Officer - Chief Operating Officer shall identify the other Company managers with "regular" access to the inside information and who have decision-making power.

The identification shall be carried out on the basis of the following criteria:

a) assessment of the access to inside information by the "manager" in relation to the duties assigned;
b) organizational structure and authorisation and powers of attorney system adopted by the Company;
c) powers of the manager to make management decisions that could affect the transactions and/or the development and future prospects of Italmobiliare.

For the purpose of the Code of Conduct, in accordance with article 19, paragraph 1 and article 3, paragraph 1, point 26) of Regulation no. 596/2014, Persons Closely Associated with the PDMRs are:

I. a spouse (not legally separated) or a partner considered to be equivalent to a spouse in accordance with national law;

II. a dependent child, in accordance with Italian legislation;

III. a relative who has shared the same household for at least one year on the date of the transaction concerned; or

IV. a legal entity, trust or partnership, the managerial responsibilities of which are discharged by a person with administrative, control and management duties or by one of the persons referred to in points (i), (ii), or (iii), or which is directly or indirectly controlled by such entity, is set up for the benefit of such entity, or whose economic interests are substantially equivalent to those of such entity.

The PDMRs will sign a statement showing their awareness and acceptance, with the duty to notify the Persons Closely Associated in writing, that can be traced to them, their communication obligations in accordance with prevailing law and this Procedure, and to keep a copy of the notification, and ensure that said persons do everything necessary to duly comply with said obligations.

This statement, duly filled in, also with the information on the Persons Closely Associated, must be promptly sent to the Company.

The Person in Charge of receiving, managing and distributing the communications to the market will prepare and update the list of names of the PDMRs and the Persons Closely Associated.

In particular, the persons concerned must inform the Company, so that the latter may inform the market, about the performance of transactions on the Company's shares of an aggregate amount exceeding the euro 5,000 threshold by the end of the year.

Moreover, the 'Code of Conduct' envisages that the PDMRs must abstain from performing transactions that are subject to communication to the Company:

- on listed financial instruments issued by Italmobiliare:
  - during the 30 calendar days preceding the meeting of the Company's Board of Directors called to approve the separate annual and interim financial statements, including the day on which the meeting is held;

17.3 COMPLIANCE WITH SIMPLIFIED RULES PURSUANT TO ARTICLES 70 AND 71 OF THE ISSUERS' REGULATION

By resolution adopted on 14 November 2012, the Company's Board of Directors accepted the opt-out regime provided by the Consob Issuers' Regulation, exercising the right to waive the obligations to publish disclosure documents required in connection with significant mergers, demergers, acquisitions and disposals, and capital increase by contribution in kind.

On the same date, in accordance with the above-mentioned legislation, the Company provided adequate disclosures to the market.

17.4 CONSOB REGULATION ON MARKETS

The Consob Regulation on markets provides for specific rules regarding conditions for the listing of Companies:

A) that control companies incorporated in, and under the law of, countries not belonging to the European Union («non-EU») (art. 36)

B) that are managed and coordinated by another company (art. 37).

In particular, the companies as set out in letter A) are required to:

1) disclose the accounts of non-EU subsidiaries drawn up for the purposes of the consolidated financial statements, at least including the statement of financial position and the income statement;
2) obtain the By-laws, composition and powers of the corporate bodies from the non-EU subsidiaries;
3) check that the non-EU subsidiaries:
   * provide the parent’s indpendent auditor with the information needed to audit the parent’s annual and interim financial statements;* have an administrative/accounting system suitable to provide the paren’s management and independent auditor, on a regular basis, with the statement of financial position and income statement figures needed to draft the consolidated financial statements.

The Companies set out in letter B), on the other hand, may be admitted for trading on an Italian regulated market (or maintain their listing) when they:

a) have fulfilled the disclosure obligations envisaged by article 2497-bis of the Italian Civil Code;

b) are free to negotiate in dealings with customers and suppliers;

c) do not have a centralized treasury management agreement which is not in their corporate interest with the controlling company that carried out management activities or with any other company of the group to which they belong. The correspondence with the corporate interest is certified by the Board of Directors with a detailed reasoned statement verified by the Board of Statutory Auditors;

d) have a Board of Directors composed of a majority of independent directors (pursuant to the Code) and a Control and Risk Committee consisting solely of independent directors. Where appointed, also the other committees, as recommended by corporate governance codes of conduct promoted by regulated market managers or by professional associations, will consist solely of independent directors.

With reference to the provisions set out in art. 36, the scope of application as of today involves 18 subsidiaries, located in 10 countries not belonging to the European Union.

The information flow between the Company and its subsidiaries is suitable to guaranteeing:

* the transmission of the financial statements of the subsidiaries drawn up for the purposes of the consolidated financial statements, to enable such financial statements to be disclosed to the public;
* the centralized collection and storage of the By-laws and the composition and powers of the corporate bodies of the above-mentioned subsidiaries and any subsequent amendment.

Therefore, all the By-laws of Subsidiaries located in countries that do not belong to the European Union, which are relevant according to the last Audit plan, as well as the composition and powers of the corporate bodies have been acquired and are stored and filed with the Company.

Furthermore, the findings thus obtained have revealed that the subsidiaries based in countries outside the European Union, relevant with respect to the latest Audit plan:

* provide the company's independent auditor with the information needed to verify the annual and interim separate financial statements of Italmobiliare,
* have an administrative/accounting system suitable to providing the Company and the independent auditor, on a regular basis, with the statement of financial position and income statement figures needed to draft the consolidated financial statements.

With reference to the provisions of art. 37 mentioned above, however, not being managed and coordinated by any other company or body, Italmobiliare is not subject to the obligations laid down therein.

Although, pursuant to Art. 2359, paragraph 1, no. 2 of the Italian Civil Code, it has a sufficient number of voting rights to exercise a dominant influence in the ordinary Shareholders' Meeting, albeit indirectly, Efiparind B.V. does not set, nor has it ever set, the Company's strategic policies to follow in the management of its business. The Board of Directors of Italmobiliare, therefore, has always taken its decisions in full autonomy without any interference whatsoever from the relative majority shareholder.

18.0 CHANGES AFTER THE REPORTING DATE

No changes have been made to the Corporate governance structure after the 2016 year-end that had a significant effect on anything contained in this Report.

TABLE 1

STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

Board of Directors							Executive Committee		Control and Risk Committee		Remuneration Committee		Committee for Transactions with Related Parties		Investments Committee	
Position (in office since)	Member (year of birth)	Executive	Non-executive	Independent	Attendance	No. of other positions	Members	Attendance	Members	Attendance	Members	Attendance	Members	Attendance	Members	Attendance
Chairman (1984)	Giampiero Pesenti (1931)	•			0/11	1	•	0/1								
Deputy Chairman (2005)	Italo Lucchini (1943)		•		11/11	2	•	1/1			•	4/4				
Chief Executive Officer - Chief Operating Officer (2014)	Carlo Pesenti (1963)	•			11/11	3	•	1/1							•	1/1
Director (2014)	Anna Maria Artoni (1967)		•	•	10/11	1							•	1/1		
Director (2002)	Giorgio Bonomi (1955)		•		11/11	1			•	9/9						
Director (2014)	Carolyn Dittmeier (1956)		•	•	11/11	2			•	9/9			•	1/1		
Director (2011)	Sebastiano Mazzoleni (1968)		•		11/11	1									•	1/1
Director (2002)	Luca Minoli (1961)		•		11/11	-										
Director (2011)	Gianemilio Osculati (1947)		•	•	10/11	1									•	1/1
Director (2011)	Clemente Rebecchini (1964)		•		8/11	-										
Director (2011)	Paolo Sfameni (1965)		•	•	11/11	4			•	9/9	•	4/4	•	1/1		
Director (2002)	Livio Strazzera (1961)		•	•	11/11	2	•	1/1							•	0/1
Director (2014)	Massimo Tononi (1964)		•	•	7/11	2									•	1/1
Director (2013)	Laura Zanetti (1970)		•	•	11/11	3	•	1/1			•	4/4			•	1/1

(*) Carlo Pesenti has been a Director since 1999, Chief Operating Officer since 2001 and Chief Executive Officer since 2014

TABLE 2

STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Position	Members	Year of birth	Data di prima nomina	In office since	In office until	List	Indep. Code	Attendance	No. of other offices
Chairman	Francesco Di Carlo	1969	25/05/11	27/05/2014	31/12/2016	m	•	13/13	10
Standing Statutory Auditor	Angelo Casò	1940	25/05/11	27/05/2014	31/12/2016	M	•	13/13	15
Standing Statutory Auditor	Luciana Ravicini	1959	27/05/14	27/05/2014	31/12/2016	M	•	12/13	12
No. of meetings held in 2016			13						
Quorum required to submit lists by the non-controlling shareholders for election of one or more members (ref. CONSOB Regulation no. 19856 of 25 January 2017)								1.0%	

Key for the List from which each Statutory Auditor was taken: "M" majority list, "m" minority list.

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Board of Directors' Report on the Remuneration Report

Dear Shareholders,

the ordinary Shareholders' Meeting of 19 April 2017 was convened in order to resolve upon the section of the Remuneration Report which discusses the Company's policy of remuneration of the members of the administration bodies as well as of general Directors and key management personnel in addition to the procedures that are utilised to apply and implement this Policy in accordance with Article 123-ter, paragraph three and six, of the Consolidated Law on Finance (the "**Policy**").

The Shareholders' Meeting must resolve in favour or against and the resolution is not binding (non binding vote).

* * *

The current Policy in force within the Company provides for the following components of remuneration for affected parties:

a) a fixed annual component;

b) a variable component linked to the attainment of specific company objectives (*Management By Objectives*);

c) a medium to long-term variable component (*Long Term Incentive)* also linked to the performance of the "Italmobiliare" stock price and the attainment of specific company objectives.

With regard to the medium to long-term variable component, the Company currently utilizes a "*Long-term financial incentive plan linked to the performance of the Italmobiliare stock price for directors and key management personnel"* as well as a "*Long-term financial incentive plan linked to the performance of the Italmobiliare stock price for executives".*

The second three-year cycle of the aforementioned plans ended on 31 December 2016.

Following changes which affected Italmobiliare and the Italmobiliare Group during the course of 2016, the Board of Directors resolved to not initiate the third three-year cycle of the current plans but instead proposed to the Shareholders' meeting to approve a new long-term incentives Plan.

Given the above, changes were applied to the Policy in order to guarantee consistency with the new long-term incentives plan.

In particular, a need emerged to strengthen the correlation between the long-term remuneration of top executives and the company performance/value creation for shareholders. This specific need inspired the new long-term financial incentive plan which will be presented for approval to the ordinary Shareholders' Meeting of the Company on 19 April 2017.

For additional details, refer to the Remuneration Report drafted by the Board of Directors in accordance with Article 123-ter of the Consolidated Law on Finance and Article 84-quarter of the Issuers' Regulation which will be made public in compliance with the modalities and conditions allowed by law.

* * *

Dear Shareholders,

in light of that illustrated above, we hereby call upon you to approve the following resolution:

"*The Shareholders' Meeting of Italmobiliare S.p.A. of 19 April 2017, having acknowledged the Remuneration Report and the relative descriptive report drafted by the Directors, hereby*

resolves

to approve the initial section of the Remuneration Report illustrated above pertaining to the policy of remuneration of directors and key management personnel as well as the procedures utilised to adopt and implement this Policy".

* * *

Milan, 2 March 2017

On behalf of the Board of Directors
The Chief Executive Officer
(Carlo Pesenti)

Italmobiliare S.p.A.
Remuneration Report

in accordance with article 123-ter of Legislative Decree 24 February 1998, no. 58 and 84-quater, of the Issuers' Regulation

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DEFINITIONS

Directors	Members of the Board of Directors of Italmobiliare S.p.A.
Shareholders' Meeting	The ordinary shareholders' meeting of Italmobiliare
Code of Conduct	The Code of Conduct for listed companies approved by the Committee for Corporate Governance in July 2015 and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, as amended
Remuneration Committee	The Remuneration Committee of Italmobiliare S.p.A., established in accordance with article 4 of the Code of Conduct
Board of Directors	The Board of Directors of Italmobiliare S.p.A.
Key management personnel	Managers who have the power and responsibility, directly or indirectly, for planning, management and control of the Company activities or single areas of activities
Group	The Italmobiliare Group
Policy	The remuneration policy for the Directors and employees of Italmobiliare S.p.A., as submitted to the Shareholders' Meeting for approval from time to time
Issuers' Regulation	The Regulation adopted by Consob with Resolution no. 11971 of 14 May 1999, as amended and integrated
Report	This Remuneration Report, drawn up in accordance with article 123-*ter* of the Consolidated Finance Act, article 84-*quater* of the Issuers' Regulation and in accordance with the recommendations of the Code of Conduct
Statutory Auditors	The members of the board of statutory auditors of Italmobiliare S.p.A.
Italmobiliare or the Company	Italmobiliare S.p.A.
Consolidated Finance Act	Legislative Decree no. 58 of 24 February 1998, as amended and integrated

INTRODUCTION

This Report was approved on 2 March 2017 by the Board of Directors of Italmobiliare upon proposal by the Remuneration Committee.

This Report comprises two sections:

1. Section I: illustrates the Italmobiliare Remuneration Policy. The Policy contained in this Report sets out the main rules on Italmobiliare remuneration which are the same as in the past, in addition to certain amendments compared to the Policy submitted to the advisory vote of the Shareholders' Meeting called to approve the financial statements as at and for the year ended 31 December 2015. Changes have been made to the Company and Group organisation since then, requiring a review of the Policy in the terms expressed herein.
2. Section II: illustrates the remuneration paid in the year ended 31 December 2016 by the Company and the companies it controls, and its associates, Directors, Key management personnel, or, if present, other employees and members of the Board of Statutory Auditors. Section II also shows the data relating to the investments held in the Company and the Group companies by directors, statutory auditors and Key management personnel, and their spouses who are not legally separated, and dependent children, directly or indirectly shown in the shareholder register or based on other information acquired from them.

The Policy, pursuant to Section I of this Report, shall be submitted for non-binding vote by the ordinary Shareholders' Meeting, called on 19 April 2017 to approve the 2016 financial statements for 2016, in accordance with article 123-*ter,* paragraph 6 of the Consolidated Finance Act.

SECTION I

REMUNERATION POLICY

A. Bodies or individuals involved in the preparation and approval of the remuneration policy, specifying the respective roles, and bodies or individuals responsible for the proper implementation of such policy.

The preparation and approval of the Italmobiliare Policy involves the Human Resources and Organisation Division, the Remuneration Committee, the Board of Directors and the ordinary Shareholders' Meeting of the Company.

The Human Resources and Organisation Division supports the Remuneration Committee when drawing up the remuneration proposals.

The Remuneration Committee provides advice and makes proposals on remuneration. It periodically evaluates the adequacy, overall compliance and actual application of the policy for the remuneration of the Directors and the Key management personnel, using this with regard to the information provided by the Chief Executive Officer. It submits proposals to the Board of Directors on this issue, and submits proposals or expresses opinions to the Board of Directors on the remuneration of Executive Directors and other Directors who hold particular offices. The Remuneration Committee may also propose performance targets to the Board of Directors that are related to the variable component of said remuneration. Finally, it monitors implementation of the Board of Directors' decisions.

The Board of Directors is the sole body in charge of defining and approving the Policy on the basis of the proposal made by the Remuneration Committee.

The Board of Directors, having heard the Board of Statutory Auditors, and to the extent of any overall remuneration determined by the Shareholders' Meeting in accordance with article 2389 paragraph 3 of the Civil Code, will decide on the remuneration to allocate to the Chairman, the Chief Executive Officer, the Key management personnel and/or the Head of the Internal Audit Function. In accordance with the Policy, it will also decide on any incentive plans, including those based on financial instruments to propose to the Shareholders' Meeting for approval.

The Shareholders' Meeting, in accordance with article 123-*ter*, paragraph 6 of the Consolidated Finance Act, upon approval of the separate financial statements, will decide, for or against (non-binding vote) the Remuneration Policy as described in this Section I of the Report.

The Remuneration Committee, the Chief Executive Officer and the Board of Directors are in charge of the correct implementation of the Policy.

B. Any participation of a remuneration committee or other responsible committee, with a description of its composition (with the distinction between non-executive and independent directors), competences and operation

Please refer to Section I A for more information on the action by the Remuneration Committee.

As of 2 March 2017, the Remuneration Committee comprises non-executive directors, the majority of whom are independent, and more specifically:

- Laura Zanetti – Chairperson of the Remuneration Committee
- Italo Lucchini – Deputy Chairperson of the Board of Directors
- Paolo Sfameni – Independent

The Remuneration Committee may use external consultants to the extent of any budget approved by the Board of Directors or the Chief Executive Officer, subject to ensuring that said consultants are not in situations that could compromise their independence.

No Directors shall attend Remuneration Committee meetings where proposals are made relating to their remuneration.

The Remuneration Committee met four times in 2016.

C. Any independent experts involved in definition of the remuneration policy

This Policy was prepared with the assistance of the independent advisor, SpencerStuart.

D. Aims of the remuneration policy, guiding principles and any amendments to the remuneration policy with respect to the previous year

In the definition of the Policy, the Company shall pursue the following objectives: (i) attract, keep, and encourage a management team that has high professional qualities and (ii) align management interests with shareholders' interests, promoting the creation of value in the medium-long term, and establishing a direct relationship between payment and performance.

Italmobiliare is inspired by the following principles: (i) compliance with primary laws and the Code of Conduct; (ii) a governance of definition and application of the Policy in accordance with best market practices; (iii) strict correlation between remuneration and results; (iv) the prudent management of risks to ensure the sustainability of the Policy.

Following the changes that occurred in the Group and Company in 2016, the need arose to reinforce the correlation between the long term remuneration of top management and corporate performance/creation of value for the shareholders. The new long-term monetary incentive plan was formulated to meet this requirement, which will be submitted for the approval of the ordinary Shareholders' Meeting of the Company scheduled for 19 April 2017.

There were no changes to the Policy in 2016 compared to 2015.

E. Description of the policies in terms of fixed and variable components of remuneration, with particular reference to indication of relative weight within overall remuneration, and distinguishing between short and medium/long-term variable components

The policies relating to the fixed and variable components of the remuneration aim to ensure correlation between long-term remuneration, corporate performance and the creation of value for shareholders, including through long-term bonus plans for the Company management.

More specifically, the overall retribution will comprise the following components:

- an annual fixed component;
- an annual variable component linked to the achievement of specific company targets (Management By Objectives - **"MBO"**);

a variable medium/long-term component (Long-Term Incentive - **"LTI"**) also linked to performance of Italmobiliare's shares and attainment of specific corporate goals.

The weight of each of the overall remuneration components is as follows:

- the weight of the yearly fixed component is included in a range that can vary from about 33% to about 70% of total remuneration;
- the weight of the MBO at target level is included in a range that can vary from about 15% to about 33% of total remuneration;
- the weight of the LTI at target level is included in a range that can vary from about 15% to about 33% of total remuneration.

The above-mentioned weights may exceed the maximum limits mentioned above where specific "exceptional" goals have to be set and achieved.

The Board of Directors or the Chief Executive Officer, where so provided, will establish the performance targets and the assessment indicators.

F. Policy with regard to non-monetary benefits

Non-monetary benefits may be given (for example, company car also for personal use) as well as the other benefits in line with market practices. In accordance with standard practice for similar positions, the Chairman and Chief Executive Officer may also be entitled to other benefits relating to performance of the role as decided by the Board of Directors.

G. With reference to variable components, a description of the performance targets based on which such components are assigned, distinguishing between short and medium/long-term variable components, and information on the link between variation of results and variation of remuneration

The performance targets, with reference to both the short-term variable components, and the medium/long-term remuneration components, shall be pre-established, measurable, and linked to the creation of value for the Company and the shareholders over the medium-long term. For example, they could include targets linked to the Company's and/or the Group's profitability or financial performance, the adoption of the best governance standards, sustainable development and implementation of strategic projects for the Company. Each target will be assigned a rating that will in turn correspond to the value of the bonus to pay.

H. *Criteria applied for the evaluation of performance targets forming the basis for the allocation of shares, options, other financial instruments or other variable components of remuneration*

The criteria used to assess the performance targets will be based on the financial position, financial performance and profitability achieved by the Company and/or the Group. They constitute indicators of the capacity of the company to produce value and manage its business risk.

I. *Information aimed at highlighting the consistency of the remuneration policy with the pursuit of the company's long-term objectives and its risk management policy, where formalised*

The Company aims to create and maintain a close correlation between remuneration and results, with a prudent risk management procedure to ensure the sustainability of the Policy adopted.

In this regard, the Remuneration Committee shall periodically evaluate the criteria adopted, monitoring its application, on the basis of the information provided by the Chairman and any corporate functions involved. It will make recommendations on this topic to the Board of Directors.

J. *Vesting period, deferred payment systems, if any, with indication of periods of deferment and the criteria used for establishing such periods and, if applicable, clawback mechanisms*

The vesting periods must reflect the goal of keeping a correlation between remuneration, company performance and the creation of value for shareholders. This is why the payment systems provide for deferral of 1 to 3 years.

This system defers the time of actual payment, thereby giving enough time to check the extent to which the performance targets have been achieved and adopt any corrective measures if necessary.

K. *Information about the possibility of introducing provisions for holding financial instruments in the portfolio after acquisition, indicating the holding periods and the criteria used for establishing such periods*

Not applicable.

L. *Policy on treatment in the event of termination of office or termination of employment, specifying the circumstances that determine the onset of the right and the possible link between such treatment and the company's performance*

The Company has not entered into specific agreements with the executive Directors or Directors vested with special powers and Key management personnel to preliminarily regulate the financial consequences resulting from early termination of employment by the Company or by the individual officer.

With reference to the other officers, in the event of termination of employment with the Company for reasons other than just cause, the Company intends to pursue out-of-court settlements on an equitable basis, to the extent allowed by the law, benchmarks and current good practice for similar positions, without prejudice to the rules and agreements in force and, in particular, the national collective employment contract for Executives of companies producing goods or providing services.

There is no provision for the granting of extraordinary remuneration to Directors not vested with special powers in connection with termination of office.

This is without prejudice to any agreements relating to the attribution of short and medium/long-term bonuses in the event of terminating the employment or the position during the incentive period itself.

M. Information on the presence of any insurance, or pension or retirement covers other than mandatory covers

In line with market practice, supplementary retirement schemes, healthcare insurance plans and life insurance plans in addition to the provisions of the national collective employment contract for Executives of companies producing goods or providing services. In accordance with standard practice for similar positions, the Chairman and Chief Executive Officer may also be entitled to specific health and accident insurance policies.

N. Remuneration policy possibly followed with reference to: (i) independent directors, (ii) participation in committees and (iii) performance of particular tasks (Chairman, Deputy Chairman, etc.)

The Company does not have specific policies for independent directors.

The Directors who are also members of the Executive Committee are also granted an additional fixed amount for each Committee meeting they attend.

The Directors who are members of the various committees appointed within the Board of Directors are also granted an additional fixed amount for each Committee meeting they attend of which they are members.

The Board of Directors, in association with the Board of Statutory Auditors, and to the extent of the overall remuneration that may be determined by the Shareholders' Meeting in accordance with article 2389 paragraph 3 of the Civil Code, will decide on the remuneration to allocate to the Chairman and the Chief Executive Officer or directors with specific duties.

However, the remuneration policy for those parties will not depart from the Policy.
In the event of significant, specific and unforeseen circumstances, the Board of Directors may exceptionally grant special bonuses for executive Directors or Directors with special powers if the other overall remuneration components are considered to be objectively inadequate with respect to the results achieved, or in relation to specific extraordinary activities and / or transactions of strategic importance and impact on the Company's and/or the Group's results.

O. Whether the remuneration policy was defined using the remuneration policies of other companies as a reference and, if so, the criteria used for the selection of such companies

The Policy was not defined using the remuneration policies of other companies as a reference.

SECTION II

REMUNERATION RECEIVED IN 2016 BY THE DIRECTORS AND KEY MANAGEMENT PERSONNEL

This Section II is set out in two parts and shows the remuneration of the governing and supervising bodies and on an aggregate basis, the remuneration of the Key management personnel paid in 2016.

PART I- ITEMS COMPRISING THE REMUNERATION

A complete representation of the items comprising 2016 remuneration is set out in the first Part of Section II.

The items comprising remuneration are set out in detail in Table 1 pursuant to Attachment 3A, Chart 7-*bis* of the Issuers' Regulation attached to the second Part of this Section II.

Directors' remuneration

The ordinary Shareholders' Meeting of 27 May 2014 resolved to grant an annual remuneration of 36,000 euro to the members of the Board of Directors', until decided otherwise.

The Directors who are also members of the Executive Committee are also granted an additional fixed amount for each Committee meeting they attend.

In addition, the Directors who are members of the various committees appointed within the Board of Directors are granted an additional fixed amount for each meeting they attend of the Committee(s) to which they are members.

In compliance with current best practice for Directors not vested with special powers, no variable component of remuneration is provided, but such Directors are reimbursed for expenses incurred in performing their office.

Finally, in line with current best practice, a third-party liability insurance policy has been taken out for Directors for events related to the exercise of their functions, in compliance with the provisions set forth with regard to their offices, except in cases of wilful misconduct and fraud.

The remuneration of the executive Directors or Directors vested with special powers is directly established at the time of appointment, or at a subsequent meeting, by the Board of Directors acting upon the recommendation of the Remuneration Committee and based on the opinion of the Board of Statutory Auditors.

The remuneration for 2016 was as follows:

- for the Chairman, Giampiero Pesenti, fixed remuneration of Euro 386,000 per year;
- for the Chief Executive Officer, Carlo Pesenti, fixed remuneration of Euro 936,000 per year, variable remuneration of Euro 612,500 per year, an extraordinary bonus of Euro 4,000,000 (an expense under accrual accounting rules in the financial year 2017), Euro 6,000 for membership to the Executive Committee and Euro 3,000 for membership of the Investment Committee;
- for the Deputy Chairman, Italo Lucchini, fixed remuneration of Euro 86,000 per year, Euro 6,000 for membership to the Executive Committee and Euro 12,000 for membership to the Remuneration Committee;
- for the Director, Anna Maria Artoni, fixed remuneration of Euro 36,000 per year and Euro 3,000 for membership to the Committee for Transactions with Related Parties;
- for the Director, Giorgio Bonomi, fixed remuneration of Euro 36,000 per year and Euro 27,000 for membership to the Control and Risk Committee;
- for the Director, Carolyn Dittmeier, fixed remuneration of Euro 36,000 per year, Euro 27,000 for membership to the Control and Risk Committee and Euro 3,000 for membership to the Committee for Transactions with Related Parties;

- for the Director, Sebastiano Mazzoleni, fixed remuneration of Euro 36,000 per year and Euro 3,000 for membership to the Investment Committee;
- for the Director, Luca Minoli, fixed remuneration of Euro 36,000 per year and other remuneration of Euro 97,257;
- for the Director, Gianemilio Osculati, fixed remuneration of Euro 36,000 per year and Euro 3,000 for membership to the Investment Committee;
- for the Director, Clemente Rebecchini, fixed remuneration of Euro 36,000 per year;
- for the Director, Paolo Sfameni, fixed remuneration of Euro 36,000 per year, Euro 12,000 for membership to the Remuneration Committee, Euro 27,000 for membership to the Control and Risk Committee, Euro 3,000 for membership to the Committee for Transactions with Related Parties and Euro 20,000 for membership to the Supervisory Board;
- for the Director, Livio Strazzera, fixed remuneration of Euro 36,000 per year and Euro 6,000 for membership of the Executive Committee;
- for the Director, Massimo Tononi, fixed remuneration of Euro 36,000 per year and Euro 3,000 for membership of the Investment Committee;
- for the Director, Laura Zanetti, fixed remuneration of Euro 36,000 per year, Euro 6,000 for membership to the Executive Committee, Euro 12,000 for membership to the Remuneration Committee and Euro 3,000 for membership to the Investment Committee.

The Chairman is not entitled to end of term benefits. Consistently with the benefits usually provided for similar positions, the Chairman is also entitled to an illness and injury policy, and the Board of Directors has approved other benefits relating to performance of the role. Benefits are provided for the Chief Executive Officer/General Manager in line with those of the Chairman.

Remuneration of Key management personnel

The Company's Board of Directors has identified the Administrative Manager / the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) as Key management personnel. Up until the corporate restructuring which occurred with issue of service order dated 3 October 2016, the Joint General Manager / the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) was considered to be one of the Key Management Personnel, but this position is no longer in the organisational chart.

The overall remuneration allocated to Key management personnel for 2016 comprises fixed remuneration of Euro 400,236 per year, and variable remuneration of Euro 202,500 per year. Finally, the Administrative Manager / the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) shall be given non-monetary benefits (for example, company car also for personal use) as well as the other benefits described here below under point M, in line with market practice.

Remuneration of the Head of the Internal Audit Function

The remuneration of the Head of the Internal Audit function is established by the Board of Directors upon the recommendation of the Remuneration Committee based on the opinion of the Director in charge of the Internal Control and Risk Management system and that of the Board of Statutory Auditors.

The components of the remuneration of the Head of the Internal Audit function are as follows:

a) an annual fixed component;
b) an annual variable component linked to the achievement of specific company targets (Management By Objectives);

c) a variable medium/ long-term component (Long-Term Incentive), which is monetary and linked to the performance of Italmobiliare's shares.

The assignment of targets not related to business performance but to the full and effective performance of the function is designed to ensure the best possible conditions for the correct performance of duties for this role, also in terms of remuneration.

The Head of the Internal Audit function is entitled to receive non-monetary benefits (for example, company car also for personal use), as well as the other benefits described under letter M, in line with market practice.

Remuneration of the officers directly reporting to the Chief Executive Officer/General Manager

The remuneration for officers directly reporting to the Chief Executive Officer / General Manager is defined by them with the support of the Human Resources and Organisation Department.

The components of the remuneration of Officers directly reporting to the Chief Executive Officer/ General Manager are as follows:

a) an annual fixed component;

b) an annual variable component linked to the achievement of specific company targets (Management By Objectives - MBO);

c) a variable medium/ long-term component (Long-Term Incentive) which is monetary and linked to the performance of Italmobiliare's shares.

With regard to the variable components of the remuneration for officers directly reporting to the Chief Executive Officer/General Manager as per letters b) and c) above, the Human Resources and Organisation Department shall:

- draw up proposals for the assignment of MBO targets to be submitted to the Chief Executive Officer / General Manager on an annual basis;

- the following year, monitor the extent of achievement of MBO targets and verify the performance achieved and submit them for approval to the Chief Executive Officer /General Manager;

- at the end of each three-year reference period, verify to what extent the LTI plan has been achieved, and submit the results for approval by the Chief Executive Officer/General Manager.

The Officers who report directly to the Chief Executive Officer /General Manager shall be entitled to receive non-monetary benefits (for example, company car also for personal use), as well as the other benefits described under letter M, in line with market practice.

Please refer to Section I, letter L for further information in the event of termination of office.

* * *

Incentive plans based on financial instruments

Stock option plan for managers - 2001

On 27 March 2001, the Company's Board of Directors approved a stock option plan for managers.

A total of 424,494 options were granted to the managers, of which 201,500 to the Chief Executive Officer.

The Board of Directors decided not to grant any further options under the plan, which, therefore, should be considered closed, except for the terms granted to each beneficiary for exercise of the options already granted.

In 2016, three Company officers who are beneficiaries of the stock option plan for managers exercised their vested rights.

Stock Option Plan for Directors - 2002

In execution of the shareholders' resolution of 3 May 2002, the Company's Board of Directors, at its meeting of 14 May 2002, approved the stock option plan for directors who are vested with special powers in accordance with the articles of association, or those who perform specific operating duties. The plan regulation later underwent minor changes.

A total of 442,500 stock options were granted.

The Board of Directors decided not to grant any further options under the plan, which, therefore, should be considered closed, except for the terms granted to each beneficiary for exercise of the options already granted.

Long-term monetary incentive plan, linked to the performance of Italmobiliare shares, for Directors and Key management personnel - 2011

The plan was approved by the ordinary Shareholders' Meeting of 25 May 2011.

The purpose was to link the overall treatment of the beneficiaries to the Company's medium/long-term performance and to value creation for shareholders. It also aims to ensure greater involvement of top management in the future of the Company.

The beneficiaries of the plan are certain Directors and Key management personnel of Italmobiliare in accordance with the relevance of the functions attributed to them for the achievement of the Company's strategic objectives.

The term of the Plan was for three three-year cycles from 2011 to 2019. The second three-year cycle concluded on 31 December 2016. On 2 March 2017, the Board of Directors of decided not to start up the third cycle, but to submit new rules for the LTI plan for approval to the Shareholders' Meeting.

Under the plan, participants are granted a number of rights, determined by dividing the MBO Payout by the normal share value at the grant date and then determining the value obtained proportionately to the weight of each individual position, which, multiplied by share value at payment date, will enable participants to obtain payment of an incentive.

Participation in the plan is conditional upon each beneficiary remaining in the position held at the time of assignment for the entire duration of the cycle.

In the event of termination or change in the position of Director held, subject to any exceptions for specific cases established by the Board of Directors in consultation with the Remuneration Committee and, when applicable, the Committee for Transactions with Related Parties, the following provisions shall apply:

- in the event of the forfeiture of or change in the position held during the cycle, the Board of Directors may, at its discretion, having heard the Remuneration Committee's opinion, and in consideration of the reasons motivating the forfeiture or change, consider on an equitable basis the possibility of paying out a compensatory lump-sum bonus, commensurate with the period length and the partial achievement of the MBO payout;
- in the event of the death of the participant during the cycle, the above shall apply; should the death occur once the MBO payout has been achieved, the right to receive any bonus will pass to the heirs of the participant:

If employment is terminated, apart from any exceptions made for specific cases established by the Board of Directors, the following provisions shall apply:

- in the event of termination of the employment contract due to dismissal or resignation, after expiration of the performance monitoring period but before the availability period, the beneficiary will automatically and permanently lose the right to obtain the incentive;
- in the event of consensual termination of employment or resignation for retirement or due to invalidity, in whatever circumstances after expiration of the performance monitoring period, or in the event that the participant

has reached the MBO payout, he or she shall retain the right to the incentive if after termination of the employment contract, the rights actually vest;

- in the event of death of the participant after expiration of the performance monitoring period, or if the participant has in any case reached the MBO payout, any rights vested in accordance with this plan shall be assigned to the participant's heirs, upon presentation by such heirs of documents proving their position.

If during the performance monitoring period, the participant's employment contract is transferred between the Company and its subsidiaries, in whatever manner, or the organisational position and consequently the responsibilities of the participant change, the MBO payout shall be updated accordingly.

In any case, the Board of Directors is empowered to determine an equitable amount payable to the participant in relation to the activities performed.

The above provisions may be amended by the Board of Directors to ensure equivalent treatment of participants to that offered originally.

The Board of Directors after consulting with the Remuneration Committee may temporarily suspend the effects deriving from the vesting of participants' rights in the case of specific and particular needs, for example but not limited to, changes in legal and regulatory provisions, excluding tax provisions, applicable to the legal relationships arising from the Plan.

The effects deriving from the vesting of participants' rights will also be suspended in any case in the event of, for example but not limited to, corporate mergers and demergers having an effect on the Company's share capital, increases and reductions in the Company's share capital, changes to the By-laws relating to the shares such as to affect the conditions governing the implementation of the Plan, possibly altering the economic and financial conditions and jeopardizing its aims.

The Board of Directors may, in all the cases mentioned above and having consulted with the Remuneration Committee, amend or integrate the plan, the cycle and the regulation, or order its lapse if it is no longer consistent with the Company's situation, subject to any rights that have vested in the meantime as a result of the three-year reference period having elapsed and the other requirements and conditions of the regulation being met.

Long-term monetary incentive plan, linked to the performance of Italmobiliare's shares, for managers - 2011

The plan was approved by the ordinary Shareholders' Meeting of 25 May 2011.

The aim of this plan is to link the overall treatment of the beneficiaries to the Company's medium/long-term performance and to value creation for shareholders. It also aims to ensure greater involvement of top management in the future of the Company.

The beneficiaries of the plan are certain managers of the Company, in accordance with the relevance of the functions attributed to them for the achievement of the Company's strategic objectives.

The term of the Plan was for three three-year cycles from 2011 to 2019. The second three-year cycle concluded on 31 December 2016. The meeting of the Board of Directors of 2 March 2017 decided not to start up the third cycle, but to submit new rules for the LTI plan for approval by the Shareholders' Meeting.

Under the plan, participants are granted a number of rights, determined by dividing the MBO payout by the normal share value at the grant date and then determining the value obtained proportionately to the weight of each individual position, which, multiplied by share value at payment date, will enable participants to obtain payment of an incentive.

Participation in the plan is conditional upon each beneficiary remaining in the position held at the grant date for the entire duration of the cycle.

If the employment is terminated, apart from any exceptions made for specific cases established by the Chief Executive Officer, the following provisions shall apply:

- in the event of termination of the employment contract due to dismissal or resignation, after expiration of the performance monitoring period but before the availability period, the beneficiary will automatically and permanently lose the right to obtain the incentive;
- in the event of consensual termination of employment or resignation for retirement or due to invalidity, in whatever circumstances after expiration of the performance monitoring period, or in the event that the participant has reached the MBO payout, he or she shall retain the right to the incentive if after termination of the employment contract, the rights actually vest;
- in the event of the death of the participant after expiration of the performance monitoring period, or if the participant has in any case reached the MBO payout, any rights vested in accordance with this plan shall be assigned to the participant's heirs, upon presentation by such heirs of documents proving their position.

If during the performance monitoring period, the participant's employment contract is transferred between the Company and its subsidiaries, in whatever manner, or the organisational position and consequently the responsibilities of the participant change, the MBO payout shall be updated accordingly.

In any case, the Chief Executive Officer is empowered to determine an equitable amount payable to the participant in relation to the activities performed.

The above provisions may be amended by the Chief Executive Officer to ensure equivalent treatment of participants to that offered originally.

The Chief Executive Officer, after consultation with the Remuneration Committee, may temporarily suspend the effects deriving from the vesting of participants' rights in the case of specific and particular needs, for example but not limited to, changes in legal and regulatory provisions, excluding tax provisions, applicable to the legal relationships arising from the plan.

The effects deriving from the vesting of participants' rights will also be suspended in any case in the event of, for example but not limited to, corporate mergers and demergers having an effect on the Company's share capital, increases and reductions in the Company's share capital, changes to the By-laws relating to the shares such as to affect the conditions governing the implementation of the Plan, possibly altering the economic and financial conditions and jeopardizing its aims.

The Chief Executive Officer may, in all the cases mentioned above and having heard the Committee's opinion, amend or integrate the plan, the cycle and this Regulation, or order the lapse of the plan if it is no longer consistent with the Company's situation, subject to any rights that have vested in the meantime as a result of the three-year period of reference having elapsed and the other requirements and conditions of this regulation being met.

The 2017-2019 monetary incentive plan that will be submitted to the Shareholders for approval in their meeting scheduled for 19 April 2017

The beneficiaries of the 2017-2019 monetary incentive plan that will be submitted to the Shareholders for approval in their meeting scheduled for 19 April 2017 in accordance with article 114-*bis* of the Consolidated Finance will be the Executive Directors, the Key management personnel and employees to be identified by the Board of Directors.

The objectives of the Plan are to: (i) link overall remuneration and especially the incentive system for managerial figures and key personnel of the Group to the actual performance of the Company and the creation of new value for the Group, as also expressed in the Code of Conduct of listed companies; (ii) link the overall treatment of the beneficiaries to the medium/long term performance of the Company and the creation of value for the shareholders; (iii) further develop retention policies aimed at earning the trust of key resources in the company and encouraging them to stay with the Company or the Group; (iv) reward the results achieved by each beneficiary, creating the conditions to ensure greater involvement by top management in the future of the Company and increase the sense of belonging by the Beneficiaries, encouraging them to stay in the company.

The Plan provides for giving the beneficiaries a monetary incentive, subject to reaching certain performance targets, proportional to the role covered by each beneficiary with the Company or Group; this will increase or decrease to reflect the performance of the Company's shares listed on the Italian Stock Exchange organised and managed by Borsa Italiana S.p.A., between the date on which the admission of the beneficiaries to the plan is approved (arithmetic average of the values of the 30 prior days) and the end of monitoring period of the performance targets (arithmetic average of values for the 3 months of the most recent year of the plan cycle).

The plan is set out over a three3-year period (2017-2019). The Board of Directors, subject to the opinion of the Remuneration Committee and the prior establishment of the relative performance targets can launch further plan cycles in subsequent years.

For any information on this plan, please refer to the information document drawn up in accordance with article 84-*bis* of the Issuers' Regulation published on the internet site www.italmobiliare.it in the Governance section.

Agreements which provide for compensation in the event of termination of employment

Please refer to Section I, Letter L.

I.2 - PART TWO

Remuneration paid to members of the governing and supervising bodies, chief operating officers and other key management personnel

Name and surname	Position	Period during which position was held	End of office term	Remuneration fixed	Remuneration for membership of committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	End-of-service bonus or post employment
						Bonuses and other incentives	Profit sharing					
Giampiero Pesenti	Chairman Executive Committee	01.01 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				386,000		-		352,048		738,048	942,879	
(II) Remuneration from subsidiaries and associates		01.01 – 30.06		495,000		-		213,226		708,226		
			Total	881,000				565,274		1,446,274	942,879	
Italo Lucchini	Deputy Chairman Executive Committee for remuneration	01.01 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				86,000	18,000					104,000		
(II) Remuneration from subsidiaries and associates		01.01 – 30.06		26,200						26,200		
			Total	112,200	18,000					130,200		
Carlo Pesenti	Chief Executive Officer Chief Operating Officer Executive Committee Investment Committee	01.01 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				936,000	9,000	4,612,500 **		234,600		5,792,100	1,964,331	
(II) Remuneration from subsidiaries and associates (		01.01 – 30.06		642,500		6,360,000 ***				7,002,500		
			Total	1,578,500	9,000	10,972,500		234,600		12,794,600	1,964,331	
Annamaria Artoni	Director Committee for Transactions with	01.01 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				36,000	3,000					39,000		
(II) Remuneration from subsidiaries and associates												
			Total	36,000	3,000					39,000		
Giorgio Bonomi	Director Control and Risk Committee	01.01 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				36,000	27,000					63,000		
(II) Remuneration from subsidiaries and associates		01.01 – 30.06		20,000						20,000		
			Total	56,000	27,000					83,000		
Carolyn Dittmeier	Director Control and Risk Committee Committee for Transactions with Related Parties	01.01 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				36,000	30,000					66,000		
(II) Remuneration from subsidiaries and associates												
			Total	36,000	30,000					66,000		
Sebastiano Mazzoleni	Director Investment Committee	01.01 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				36,000	3,000					39,000		
(II) Remuneration from subsidiaries and associates		01.01 – 30.06		10,000						10,000		
			Total	46,000	3,000					49,000		
Luca Minoli	Director	01.01 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				36,000					97,257	133,257		
(II) Remuneration from subsidiaries and associates									20,500	20,500		
			Total	36,000					117,757	153,757		
Gianemilio Osculati	Director Investment Committee	01.01 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				36,000	3,000					39,000		
(II) Remuneration from subsidiaries and associates												
			Total	36,000	3,000					39,000		
Clemente Rebecchini	Director	01.01 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				36,000						36,000		
(II) Remuneration from subsidiaries and associates												
			Total	36,000						36,000		

* The amounts shown in the line "Remuneration from subsidiaries and associates" refer to amounts sustained by Italcementi S.p.A., paid to Italmobiliare S.p.A. and by Italmobiliare S.p.A. to its Chief Operating Officer. The above amounts are debited inclusive of social security charges relating to company contributions and severance pay.

** Of which 4,000,000 as an expense under accrual accounting rules in the financial year 2017

*** Remuneration for the Chief Executive Officer in relation to the 26 years of uninterrupted service within the scope of all the severance agreements with respect to the top management of Italcementi S.p.A., a company that left the scope o consolidation with Italmobiliare as of 30 June 2016

Name and surname	Position	Period during which position was held	End of office term	Remuneration fixed	Remuneration for membership of committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	End-of-service bonus or post employment
						Bonuses and other incentives	Profit sharing					
Paolo Sfameni	Director Supervisory Board Control and Risk Committee Committee for Transactions with Related Parties Remuneration Committee	01.01 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				36,000	62,000					98,000		
(II) Remuneration from subsidiaries and associates												
			Total	36,000	62,000					98,000		
Livio Strazzera	Director Executive Committee Investment Committee	01.01 – 31-12	2016									
(I) Remuneration in the company that prepares the financial statements				36,000	6,000					42,000		
(II) Remuneration from subsidiaries and associates												
			Total	36,000	6,000					42,000		
Massimo Tononi	Director Investment Committee Remuneration Committee	01.01 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				36,000	3,000					39,000		
(II) Remuneration from subsidiaries and associates												
			Total	36,000	3,000					39,000		
Laura Zanetti	Director Executive Committee Investment Committee Remuneration Committee	01.01 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				36,000	21,000					57,000		
(II) Remuneration from subsidiaries and associates		08.04 – 30.06		10,000								
			Total	46,000	21,000					67,000		
Francesco Di Carlo	Chairman of the Board of Statutory Auditors	01.01 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				75,000						75,000		
(II) Remuneration from subsidiaries and associates												
			Total	75,000						75,000		
Angelo Casò	Standing Auditor	01.01 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				50,000						50,000		
(II) Remuneration from subsidiaries and associates												
			Total	50,000						50,000		
Luciana Ravicini	Standing Auditor	01.01 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				50,000						50,000		
(II) Remuneration from subsidiaries and associates												
			Total	50,000						50,000		
Giorgio Moroni	Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*)	01.01 – 30.09	2016									
(I) Remuneration in the company that prepares the financial statements				325,384		165,000		5,740	22,500	518,624	518,583	
(II) Remuneration from subsidiaries and associates												
			Total	325,384		165,000		5,740	22,500	518,624	518,583	
Guido Biancali	Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*)	01.10 – 31.12	2016									
(I) Remuneration in the company that prepares the financial statements				74,852		37,500		3,143	7,500	122,995	88,395	
(II) Remuneration from subsidiaries and associates												
			Total	74,852		37,500		3,143	7,500	122,995	88,395	

Remuneration for each office when the amount reported in the above table is in aggregate form

Fixed remuneration			
Giampiero Pesenti	*Italmobiliare S.p.A.:*		
	Director's remuneration		36,000
	Fixed remuneration		350,000
	Subsidiaries and associates		
	Italcementi S.p.A.:		
	Director's remuneration		20,000
	Fixed remuneration		475,000
Italo Lucchini	*Italmobiliare S.p.A.:*		
	Director's remuneration		36,000
	Fixed remuneration	Remuneration	50,000
	Executive Committee		6,000
	Remuneration Remuneration Committee		12,000
	Subsidiaries and associates:		
	Italcementi S.p.A.:		
	Director's remuneration		20,000
	Azienda Agricola Lodoletta S.r.l.		
	Director's remuneration		6,200
Carlo Pesenti	*Italmobiliare S.p.A.:*		
	Director's remuneration		36,000
	Fixed remuneration	Remuneration	900,000
	Executive Committee		6,000
	Remuneration Investment Committee		3,000
Remuneration for membership of Committees			
Carolyn Dittmeier	Remuneration Control and Risk Committee		27,000
	Remuneration Committee for Transactions with Related Parties		3,000
Paolo Sfameni	Remuneration Control and Risk Committee		27,000
	Remuneration Committee for Transactions with Related Parties		3,000
	Remuneration for Remuneration Committee		12,000
	Remuneration Supervisory Board		20,000
Laura Zanetti	Remuneration Executive Committee	Remuneration	6,000
	Investment Committee		3,000
	Remuneration Remuneration Committee		12,000

Stock options granted to members of the board of directors, chief operating officers and other key management personnel

			Options held at the beginning of the financial year			Options granted during the financial year						Options exercised during the financial year			Options expired during the financial year	Options held at the end of the financial year	Options accrued in the financial year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Name and surname	Position	Plan	Number options	Exercise price	Period of possible exercise (from-to)	Number of options	Exercise price	Period of possible exercise (from-to)	Fair value as of the grant date	Grant date	Market price of shares underlying the granting of options	Number of options	Exercise price	Market price of underlying shares as of the date of exercise	Number of options	Number of options	Fair value
Giampiero Pesenti	Chairman																
(I) Remuneration in the company that prepares the financial statements		Stock option plan for officers (Board resolution 27.03.2001)	60,000	86.069	21.03.2010 20.03.2017	-	-	-	-	-	-	-	-	-	-	60,000	-
			60,000	59.908	28.03.2011 27.03.2018	-	-	-	-	-	-	-	-	-	-	60,000	-
			53,000	28.834	24.03.2013 23.03.2020	-	-	-	-	-	-	-	-	-	-	53,000	
			48,000	27.469	30.03.2014 29.03.2021	-	-	-	-	-	-	-	-	-	-	48,000	
(II) Remuneration from subsidiaries and associates			-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Total		-	-	-	-	-	-	-	-	-	-	-	-		
Carlo Pesenti	Chief Executive Officer - General Manager																
(I) Remuneration in the company that prepares the financial statements		Stock option plan for officers (Board resolution 27.03.2001)	40,000	86.069	21.03.2010 20.03.2017	-	-	-	-	-	-	-	-	-	-	40,000	-
			35,500	59.908	28.03.2011 27.03.2018	-	-	-	-	-	-	-	-	-	-	35,500	-
		Stock option plan for directors (Board resolution 27.03.2002)	35,800	28.834	24.03.2013 23.03.2020	-	-	-	-	-	-	-	-	-	-	35,800	
			30,700	27.469	30.03.2014 29.03.2021	-	-	-	-	-	-	-	-	-	-	30,700	
(II) Remuneration from subsidiaries and associates						-	-	-	-	-	-	-	-	-	-		-
		Total		-	-	-	-	-	-	-	-	-	-	-	-		
Giorgio Moroni	Manager responsible for preparing the Company's Financial Reports up to 30.09.2016																
(I) Remuneration in the company that prepares the financial statements		Stock option plan for officers (Board resolution 27.03.2001)	14,150	27.469	30.03.2014 29.03.2021	-	-	-	-	-	-	-	-	-	-	14,150	
(II) Remuneration from subsidiaries and associates			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Total	14,150	-	-	-	-	-	-	-	-	-	-	-	-	14,150	
Guido Biancali	Manager responsible for preparing the Company's Financial Reports since 01.10.2016																
(I) Remuneration in the company that prepares the financial statements		Stock option plan for officers (Board resolution 27.03.2001)	3,820	86.069	21.03.2010 20.03.2017	-	-	-	-	-	-	-	-	-	-	3,820	
			4,600	59.908	28.03.2011 27.03.2018	-	-	-	-	-	-	-	-	-	-	4,600	
		Stock option plan for officers (Board resolution 27.03.2002)	3,315	28.834	24.03.2013 23.03.2020	-	-	-	-	-	-	-	-	-	-	3,315	
			6,200	27.469	30.03.2014 29.03.2021	-	-	-	-	-	-	-	-	-	-	6,200	
(II) Remuneration from subsidiaries and associates						-	-	-	-	-	-	-	-	-	-		
		Total	17,935		-	-										17,935	

Incentive plans based on financial instruments other than stock options, in favour of members of the governing body, chief operating officers and other key management personnel

			Financial instruments granted in previous years that did not vest during the year		Financial instruments granted during the year					Financial instruments that vested during the year and were not attributed	Financial instruments that vested during the year and were not attributed		Financial instruments for the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Name and surname	Position	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value as of the grant date	Vesting period	Grant date	Market price at grant date	Number and type of financial instruments	Number and type of financial instruments	Value at vesting date	Fair value
Giampiero Pesenti	Chairman												
(I) Remuneration in the company that prepares the financial statements	20.06.2014	Monetary incentive plan for directors and key management personnel	Range 13.000 – 23.000	20.06.2014 31.12.2016									942,879
(II) Remuneration from subsidiaries and associates	-												
		Total											942,879
Carlo Pesenti	Chief Executive Officer General Manager												
(I) Remuneration in the company that prepares the financial statements	20.06.2014	Monetary incentive plan for directors and key management personnel	Range 23,000 – 35,000	20.06.2014 31.12.2016									1,964,331
(II) Remuneration from subsidiaries and associates	-												
		Total											1,964,331
Giorgio Moroni	Manager responsible for preparing the Company's Financial Reports up to												
(I) Remuneration in the company that prepares the financial statements	20.06.2014	Monetary incentive plan for directors and key management personnel	Range 10,000 – 15,000	20.06.2014 31.12.2016									518,583
(II) Remuneration from subsidiaries and associates	-												
		Total											518,583
Guido Biancali	Manager responsible for preparing the Company's Financial Reports since												
(I) Remuneration in the company that prepares the financial statements	20.06.2014	Monetary incentive plan for directors and key management personnel	Range 7,500 – 11,250	20.06.2014 31.12.2016									88,395
(II) Remuneration from subsidiaries and associates	-												
		Total											88,395

Incentive plans based on financial instruments other than stock options, in favour of members of the governing body, chief operating officers and other key management personnel

Name and surname	Position	Plan	Bonus for the year			Bonus for previous years			Other bonuses
			Payable/disbursed	Deferred	Deferment period	No longer payable	Payable/disbursed	Still deferred	
Carlo Pesenti	Chief Executive Officer General Manager								
(I) Remuneration in the company that prepares the financial statements	2 March 2017	Annual MBO	612,500						
	2 March 2017								4.000.000 *
(II) Remuneration from subsidiaries and associates	30 June 2016						6,360,000		
		Total	612,500				6,360,000		4.000.000
Giorgio Moroni	Manager responsible for preparing the Company's Financial Reports up to 30.09.2016								
(I) Remuneration in the company that prepares the financial statements	2 March 2017	Annual MBO	165,000						
(II) Remuneration from subsidiaries and associates									
		Total	165,000						
Guido Biancali	Manager responsible for preparing the Company's Financial Reports since 01.10.2016								
(I) Remuneration in the company that prepares the financial statements	2 March 2017	Annual MBO	37,500						
(II) Remuneration from subsidiaries and associates									
		Total	37,500						

* Expense under accounting accrual rules in the financial year 2017

Shareholdings of the members of the Governing and Supervising Bodies, of the Chief Operating Officer and other key management personnel

Name and surname	Position	Investee company	Number of shares held at the end of the previous financial year	Number of shares purchased	Number of shares sold	Number of shares held at the end of the current financial year
Giampiero Pesenti	Chairman	ITALMOBILIARE	ordinary shares: 23,500 savings shares: 2,242	ordinary shares: 224 [1] savings shares:	ordinary shares: savings shares: 2,242 [2]	ordinary shares: 23,724 savings shares: 0
		ITALCEMENTI	ordinary shares: 2062	ordinary shares: -	ordinary shares: 2,062 [3]	ordinary shares: 0
Carlo Pesenti	Chief Executive Officer General Manager	ITALMOBILIARE	ordinary shares: 400	ordinary shares: -	ordinary shares: -	ordinary shares: 400
		ITALCEMENTI	ordinary shares: 18,602 [4]	ordinary shares: -	ordinary shares: 18,602 [3]	ordinary shares: 0
Giorgio Bonomi	Director	ITALMOBILIARE	ordinary shares: 400 [5]	ordinary shares: -	ordinary shares: -	ordinary shares: 400 [5]
		ITALCEMENTI	ordinary shares: 16,140 [4]	ordinary shares: -	ordinary shares: 16,140 [3]	ordinary shares: 0
Sebastiano Mazzoleni	Director	ITALCEMENTI	ordinary shares: 2,895	ordinary shares: -	ordinary shares: 2,895 [3]	ordinary shares: 0
Livio Strazzera	Director	ITALMOBILIARE	ordinary shares: 100	ordinary shares: -	ordinary shares: -	ordinary shares: 100
Massimo Tononi	Director	ITALCEMENTI	ordinary shares: 464,284	ordinary shares: -	ordinary shares: 464,284 [3]	ordinary shares: 0
Laura Zanetti	Director	ITALMOBILIARE	ordinary shares: 900 savings shares: 1,430	ordinary shares: - savings shares: -	ordinary shares: savings shares: 1,430	ordinary shares: 900 savings shares: 0
		ITALCEMENTI	ordinary shares: 15,713	ordinary shares: -	ordinary shares: 15,713 [3]	ordinary shares: 0
Giorgio Moroni	Manager in charge	CREDIT MOBILIER DE MONACO	ordinary shares: 10	ordinary shares: -	ordinary shares: -	ordinary shares: 10

1 ordinary shares from the conversion of the savings shares
2 savings shares compulsorily converted into ordinary shares
3 shares contributed to the HeidelbergCement public tender offer
4 shares held in part directly and in part by spouse
5 shares held by spouse

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Board of Director’s Report regarding the authorization to purchase and dispose of treasury shares pursuant to article 2357 of the Civil Code, subject to withdrawal of the previous authorization.

Dear Shareholders,

You have been called to the Ordinary Shareholders' Meeting to review and approve (i) the proposal to authorize the purchase of Italmobiliare S.p.A. (hereinafter “**Italmobiliare**” or the “**Company**”) treasury shares, pursuant to the combined provisions of Articles 2357 of the Civil Code, and Article 132 of Legislative Decree 58/1998, as amended (the "TUF") and related implementing provisions, subject to withdrawal of the previous authorization granted by the Ordinary Shareholders' Meeting on 21 April 2016, and (ii) the proposal to authorize the disposal of the treasury shares pursuant to Article 2357-ter of the Civil Code and to the following formalities.

The Meeting that has been called to review and approve the said the proposal to authorize the purchase of the Company’s treasury shares has been also called (i) as Ordinary Shareholders' Meeting, to review and approve the proposal to authorize the purchase of additional maximum 2 million treasury shares (or 4 million treasury shares, following the stock split referred to in par. (ii) below), equal to 8,4% of the share capital corresponding to a consideration of Euro 100 million in the context of a voluntary public tender offer on treasury shares pursuant to Article 102, TUF (the “**Voluntary Offer**” of the “**Offer**”) and (ii) in an Extraordinary session, to review and approve the splitting of the no. 23.816.900 Company’s ordinary shares in no. 47.633.800 ordinary shares with a 1:2 ratio. The said proposals to authorize the purchase of the Company’s treasury shares under the Voluntary Offer and related amendment of the By-laws are reported in the concerned Board of Directors’ explanatory reports prepared pursuant to Articles 73 and 72, paragraph 1-*bis*, of CONSOB Regulation No. 11971/1999, as amended.

1) Reasons underlying the proposed authorization to acquire and dispose of treasury shares.

The authorization to purchase the said treasury shares is requested for the purposes disciplined by applicable law, and therefore in order to:

- dispose of treasury shares to: (i) be granted to employees and/or directors in connection with stock option plans reserved to them; and/or (ii) medium/long-term investment purposes;
- operate, in compliance with current regulations, directly or through intermediaries, in order to limit anomalous trends in share prices and to regularize stock exchange prices caused by temporary distortions linked to excessive volatility or low trading liquidity;
- create a treasury stock portfolio to serve non-recurring financial transactions, such as acquisitions or strategic alliances or possible dividend or reserves distribution to be made in kind, or for other purposes deemed to be in the financial, business and/or strategic interest of the Company;
- offer an additional tool to monetize their investments to the shareholders.

2) Terms and conditions according to which purchases shall be made

Purchases of treasury shares shall be made within the limits set forth under applicable laws, unless otherwise indicated below, so that equal treatment of Shareholders is ensured and offers to purchase, directly matched with pre-determined offers to sell, are not allowed.

Moreover, in consideration of the various purposes illustrated in this proposal, the Board of Directors proposes to be authorized to purchase in accordance with any other manner allowed under current laws and regulations governing the stock market on which the transaction is performed and, therefore, as at the present time:

- through public tender or exchange offers (in addition to the Voluntary Offer);
- through the purchase and sale of derivatives traded on regulated markets which provide for physical delivery of the underlying shares;
- through the proportional allocation to shareholders of put options to be exercised within the term of the authorization as per paragraph 5 herein under.

The treasury shares acquisitions and sales which the authorization is requested for will be executed in compliance with applicable laws and, especially, in compliance with national and European laws and regulations including those on market abuse.

Appropriate disclosure of treasury shares acquisitions and sales will be provided in compliance with the applicable disclosure requirements.

3) Maximum number, category and nominal value of the shares which the authorization refers to; compliance with paragraph 3, art. 2357 of the Italian Civil Code.

At the date of this report the subscribed and paid-in share capital of Italmobiliare is equal to Euro 100,166,937.00, represented by no. 23,816,900 ordinary shares without par value indicated. On the same date the Issuer holds no. 856,749 ordinary treasury shares, equal to 3.60% of the share capital.

It should be noted that, if the Extraordinary Shareholders' Meeting approves the proposed stock split, at the start time of the Voluntary Tender Offer the Company's share capital shall be represented by no. 47,633,800 ordinary shares and the no. 856,749 treasury shares currently held in the Company's portfolio will be equal to no. 1,713,498 shares.

It is understood that in case of full acceptance of the Offer and taking also into consideration the treasury shares already owned by the Issuer at the date hereof, Italmobiliare will own no. 2,856,749 ordinary treasury shares (or no. 5,713,498 in case of approval of the resolution concerning the stock split), and therefore a total number of shares below the limit of 1/5 of the share capital.

Authorization is requested for the purchase, in one or more tranches, of ordinary Italmobiliare shares with no stated par value, up to a maximum number no greater than the maximum limit contemplated by the *pro tempore* applicable legislation, taking into consideration the ordinary Italmobiliare shares held at any one time by the Company as treasury stock or by the Company's subsidiaries and the Italmobiliare ordinary shares that may be eventually purchased through the Voluntary Offer.

It is therefore proposed that the Board of Directors be granted a mandate to identify the respective amounts of shares to purchase in relation to each of the purposes set out in paragraph 1 above, before the launch of each individual purchase program, within the above limit. To ensure compliance with this limit, appropriate procedures will, however, be applied to guarantee full and timely disclosure relating to the holdings of Italmobiliare subsidiaries.

Purchases of treasury shares shall be made within the limits of the distributable earnings and available reserves reflected in the financial statements (including interim financial reporting) approved when the purchase is made. To this extent, it is noted that according to the draft financial statement as at 31 December 2016, approved by the Board of Directors on 2 March 2017 and submitted for the approval of the General Shareholders' Meeting on 19 April 2017, the distributable profits amount to Euro 736.885.857,81 and the available reserves amount to Euro 69.891.999,07.

The purchase of treasury shares will be accounted for in the Company's books in compliance with the applicable accounting standard and with the laws in force from time to time.

4) Minimum and maximum consideration and market values on which such considerations have been determined.

The purchase price of each share under this authorization shall not be lower nor exceed 15%, as peak, than the average reference share price occurred on the Italian Stock Exchange in the last three sessions preceding each transaction.

***5) Term of the authorization for the purchase*.**

The authorization to purchase treasury shares is requested for a period of 18 (eighteen) months as of the date on which the Shareholders adopt the resolution.

6) Authorization to dispose of treasury shares.

The Board of Directors proposes to authorise, pursuant to article 2357-ter of the Italian Civil Code, the disposal of the treasury shares purchased as a result of this authorization, at any time, in whole or in part, in one or more tranches, through the sale of such shares on or outside the Stock Exchange, including for the purpose of carrying out potential acquisitions and/or implementing strategic alliances consistent with the strategic guidelines of the group, or in order to make dividend or reserves distributions also in kind, or within the framework of incentive plans for the management and employees, according to the terms and conditions of the treasury shares sale and purchase agreements which are considered most suitable in the Company's interest, or to contain, in compliance with the laws in force, directly or through intermediaries, the abnormal movements of the quotations and to regularize the trend of negotiations and courses, facing distorting phenomena linked to an excess of volatility or to an inadequate liquidity of the exchanges, provided that:

The unit sale price (or, in any case, the unit value determined in the context of the transactions involving the sale of treasury shares) shall not be lower than the average purchase price of the treasury shares acquired in accordance with the authorisation; and

- The unit sale price (or, in any case, the unit value determined in the context of the transactions involving the sale of treasury shares) shall not be lower than the average purchase price of the treasury shares acquired in accordance with the authorisation; and
- The above price limit shall not apply, however, in the event of a sale of shares to the employees of Italmobiliare and its subsidiaries, parent companies and the other companies controlled by the latters or to members of the Board of Directors of Italmobiliare, who are vested with special offices in compliance with the Articles of Association, or who perform specific operating duties, in connection with stock option plans for employees and directors, and in case of use of treasury shares in the context of potential extraordinary finance transactions or for other uses deemed to be of a financial, managerial and/or strategic interest for the Company.

The Board of Directors proposes that the authorisation to dispose of the treasury shares shall allow the adoption of any procedure deemed appropriate to achieve the intended objectives to be executed either directly or through intermediaries, in compliance with national and European laws and regulations.

The treasury shares' acquisitions and sales for which the authorisation is requested will be executed in compliance with applicable laws and, especially, in compliance with national and European laws and regulations including those on market abuse.

Appropriate disclosure of treasury shares acquisitions and sales will be provided in compliance with the applicable disclosure requirements.

The appropriate accounting entries shall be made in case of treasury shares sales pursuant to the applicable laws and accounting principles.

***7) Term of the authorization for the disposal*.**

The authorization to dispose of treasury shares is requested without time limits

* * *

Dear Shareholders,

If you agree with our proposal, we invite you to resolve upon the following resolution:

“Italmobiliare S.p.A. Shareholder’s Meeting:

- having acknowledged and approved the Directors’ proposal,
- taking into account articles 2357 and 2357-*ter* of the Italian Civil Code

hereby resolves

1) to revoke the resolution authorizing the acquisition and disposal of treasury shares adopted by the Ordinary Shareholders' Meeting of 21 April 2016;
2) to authorize, in accordance with and for the purposes of art. 2357 of the Italian Civil Code, the purchase, in one or more tranches, for a period of eighteen months from the date of this resolution, of the Company's ordinary shares, up to a maximum which, taking into account the ordinary shares of Italmobiliare S.p.A. at any time held in portfolio by the Company and by its subsidiaries and the amount of Italmobiliare S.p.A. ordinary shares that may eventually be purchased by the Company through the Voluntary Offer, does not in total exceed the maximum established by pro tempore applicable legislation, giving a mandate to the Board of Directors to identify the amount of shares to be purchased in relation to each of the above purposes prior to the start of each individual purchase program;
3) to establish that the purchase price of the treasury shares under this purchase authorization shall not be lower nor exceed 15%, as peak, than the average reference share price occurred on the Italian Stock Exchange in the last three sessions preceding each transaction;
4) to authorise, pursuant to article 2357-ter, paragraph 1 of the Italian Civil Code, the Board of Directors to dispose of the treasury shares purchased as a result of the authorization to purchase under point 2) herein above, at any time, in whole or in part, in one or more tranches, through the sale of such shares on or outside the Stock Exchange, including for the purpose of carrying out potential acquisitions and/or implementing partnerships consistent with the strategic guidelines of the Italmobiliare Group, or in order to make dividend or reserves distributions also in kind, or within the framework of incentive plans for management and employees, or to contain, in compliance with the laws in force, directly or through intermediaries, the abnormal movements of the quotations and to regularise the trend of negotiations and courses, facing distorted phenomena linked to an excess of volatility or to an inadequate liquidity of the exchanges, according to the terms and conditions of the treasury shares sale and purchase agreements which are considered most suitable in the Company’s interest, provided that the unit sale price (or, in any case, the unit value determined in the context of the transactions involving the sale of treasury shares) shall not be lower than the average purchase price of the treasury shares purchased in accordance with the authorisation (provided that this price limit shall not apply, however, in the event of a sale of shares to the employees of Italmobiliare S.p.A. and its subsidiaries, parent companies and the other companies controlled by the latters or to members of the Board of Directors of Italmobiliare S.p.A. who are vested with special offices in compliance with the Articles of Association or who perform specific operating duties, in connection with stock option plans for employees and for directors, and in case of use of treasury shares in the context of potential extraordinary finance transactions or for other uses deemed to be of a financial, managerial and/or strategic interest for the Company). The authorisation set forth in this point 4) is granted without time limits;

5) to establish that, according to the law, the purchases herein authorised shall be made within the limits of the distributable earnings and available reserves reflected in the latest financial statement of the Company (including interim financial statements) approved when the purchase is made;
6) to grant the Board of Directors any power to account the treasury shares purchases or sale transactions in the financial statements in compliance with the laws and accounting principles applicable from time to time;
7) to severally grant the Chairman, Deputy Chairman and Chief Executive Officer in office from time to time any power to execute, severally, also through attorneys-in-fact, the above resolutions".

Milan, 27 March 2017

On behalf of the Board of Directors
The Chief Executing Officer
(Carlo Pesenti)

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Board of Directors' report on the authorisation to purchase treasury shares through a voluntary tender offer and to dispose of the same.

Dear Shareholders,

The ordinary Shareholders' Meeting has been called to examine and approve the following resolutions: *(i)* authorisation, pursuant to article 2357 of the Italian Civil Code and article 132 of the Legislative Decree 58/1998, as from time to time amended ("**TUF**"), and relevant implementing instruments, to purchase treasury shares of Italmobiliare S.p.A. ("**Italmobiliare**", or the "**Company**" or the "**Issuer**") with the modalities of article 144-*bis*, paragraph 1, lett. a) of the Consob Regulation 11971/1999, as from time to time amended (the "**Issuers Regulation**"), i.e. through a partial voluntary tender offer, and *(ii)* authorisation pursuant to article 2357-*ter* of the Italian Civil Code to dispose of the same treasury shares, according to the following terms and conditions.
The Shareholders' Meeting that has been called to examine and approve the said proposal to authorize the purchase of the Company's treasury shares has also been called *(i)* as Ordinary Shareholders' Meeting, to authorise the acquisition, in one or more tranches, of additional ordinary Italmobiliare shares up to a maximum number no greater than the maximum limit contemplated by the *pro tempore* applicable legislation, taking into consideration the ordinary Italmobiliare shares held at any one time by the Company as treasury stock or by the Company's subsidiaries and the Italmobiliare ordinary shares that may be eventually purchased through the Voluntary Offer, giving a mandate to the Board of Directors to identify the respective amounts of shares to purchase before the launch of each individual purchase program within the above limit, subject to withdrawal of the previous authorization granted by the Ordinary Shareholders' Meeting on 21 April 2016, and *(ii)* to approve (in an extraordinary session) the proposal to split the no. 23.816.900 existing ordinary shares of Italmobiliare into no. 47.633.800 ordinary shares, according to a 1:2 ratio. Such proposals to authorize the purchase of the Company's treasury shares and to amend the By-laws are explained in two separate reports drafted, respectively, pursuant to articles 73 e 72, paragraph 1-*bis*, of the Issuers' Regulation.

1. Reasons underlying the proposed authorisation to acquire the treasury shares.

The request for the authorisation to purchase treasury shares is made in connection with the launch of a partial voluntary tender offer pursuant to article 102 TUF by Italmobiliare on its treasury shares (the "**Voluntary Tender Offer"** or the "**Offer**"). The Voluntary Tender Offer will be on up to 2 million ordinary shares of Italmobiliare (or up to 4 million ordinary shares in case of approval of the resolution concerning the stock split), representing up to 8.4% of the share capital, for an overall maximum purchase price of Euro 100 million, as specified below.
The Offer would be beneficial to the Company and its shareholders both from a financial and a strategic perspective. Indeed, the Voluntary Tender Offer allows the shareholders who intend to tender their shares to liquidate all or part of their investment at a price which incorporates a premium with respect to the stock market price and to monetise the value of certain value-enhancing transactions concluded by the Company.
For the shareholders who are not willing to tender their shares, the Offer represents a way to keep their liquidity invested in a prudent manner and, as opposed to a dividend distribution, it does not result in a reduction of the Company's assets.
Furthermore, the Voluntary Tender Offer would allow Italmobiliare to purchase an amount of treasury shares that can be used, for instance, in order to complete acquisitions or strategic partnerships, consistently with the new strategic guidelines of the Italmobiliare group, or in order to serve dividend or reserves distributions in kind.
For the sake of completeness, below are summarized the main features of the proposed Voluntary Tender Offer.

- The Offer is not conditional upon any minimum number of shares being tendered.
- The majority shareholder, representing 44% of the Italmobiliare share capital, declared its intention not to tender

its shares in the Offer.

- Should the number of shares tendered in the Offer exceed no. 2 million ordinary shares (or no. 4 million ordinary shares following the prospective stock split), the number of shares to be acquired from each shareholder will be reduced proportionally, so that the Issuer will purchase from each shareholder who has tendered his shares in the Offer the same pro rata portion of shares with respect to the number of shares tendered.
- The launch of the Offer pursuant to article 102 TUF is subject to the granting, by the General Shareholders' Meeting, of the authorisation to purchase the treasury shares at the terms and conditions set out in this report.
- The Offer will be conditional, *inter alia*, *(i)* upon the non-occurrence, at the national and/or international level, of events or extraordinary circumstances entailing material changes in the political, financial, economic or market situation or which might entail material adverse consequences on the business, assets, economic and or financial conditions of the Company or of its Group, or *(ii)* upon the absence of acts or measures, which are such as to render the implementation of the Offer impossible or otherwise inadvisable, including the issue of an order to launch a mandatory tender offer pursuant to articles 106 TUF et seq.
- It is estimated that, subject to obtaining the required authorisations, the Offer will begin after the payment of the dividend relating to the FY 2016, that will also be resolved on 19 April 2017 by the same Shareholders' Meeting, and that it may be concluded by July 2017.

The authorisation to purchase the said treasury shares is requested for the purposes disciplined by applicable law, and therefore in order, among others, to:

- offer an additional tool to monetize their investments to the shareholders;
- create a treasury stock portfolio to serve potential non-recurring financial transactions, such as acquisitions or strategic alliances or possible dividend or reserves distributions to be made in kind or for other purposes deemed to be in the financial, business and/or strategic interest of the Company, consistent with the mission of the Company;
- have in stock treasury shares to be used for medium/long-term investment purposes;
- operate, in compliance with current regulations, directly or through intermediaries, in order to limit anomalous trends in share prices caused by temporary distortions linked to excessive volatility or low trading liquidity and to regularize stock exchange prices.

2. Terms and conditions according to which purchases shall be made

Purchases of treasury shares shall be made within the limits set forth in this report, through a Voluntary Tender Offer pursuant to article 144-bis, paragraph 1, lett. a), of the Issuers' Regulation, so that equal treatment of shareholders is ensured as required by article 132 TUF.

The treasury shares acquisitions and sales for which the authorisation is requested will be executed in compliance with applicable laws and, especially, in compliance with national and European laws and regulations, including those on market abuse.

Appropriate disclosure of treasury shares acquisitions and sales will be provided in compliance with the applicable disclosure requirements.

3. Maximum number, category and nominal value of the shares which the authorisation to purchase the treasury shares refers to. Compliance with article 2357, paragraph 3, of the Italian Civil Code.

At the date of this report the subscribed and paid-in share capital of Italmobiliare is equal to Euro 100,166,937.00, represented by no. 23,816,900 ordinary shares without par value indicated. On the same date the Issuer holds no. 856,749 ordinary treasury shares, equal to 3.60% of the share capital.
It should be noted that, if the Extraordinary Shareholders' Meeting approves the proposed stock split, at the start time of the Voluntary Tender Offer the Company's share capital shall be represented by no. 47,633,800 ordinary shares and the no. 856,749 treasury shares currently held in the Company's portfolio will be equal to no. 1,713,498 shares.
The authorisation to purchase treasury shares through the Voluntary Tender Offer is requested for up to no. 2 million shares (or no. 4 million shares in case of approval of the resolution concerning the stock split), representing up to 8.4%

of the Issuer's share capital.
It is understood that in any case, as already pointed out, the maximum number of treasury shares owned by Italmobiliare at any time, taking also into consideration the ordinary shares owned by its subsidiaries, shall not exceed the limit set by the applicable laws. In particular, even in case of full acceptance of the Offer and taking also into consideration the treasury shares already owned by the Company at the date hereof, in no circumstances the number of treasury shares owned by the Company at the completion of the Offer shall exceed the limit provided for by article 2357, comma 3, of the Italian Civil Code.
In any case, purchases of treasury shares shall be made, in accordance with article 2357 of the Italian Civil Code, within the limits of the distributable earnings and available reserves reflected in the latest approved financial statements (including interim financial reporting) of the Company approved when the purchase is made. To this extent, it is noted that according to the draft financial statement as at 31 December 2016, approved by the Board of Directors on 2 March 2017 and submitted for the approval of the General Shareholders' Meeting on 19 April 2017, the distributable profits amount to Euro 736,885,857.81 (net of the proposed dividend amounting to Euro 1 per share) and the available reserves amount to Euro 69,891,999.07.
The Offer is not aimed at reducing the share capital and, therefore, the treasury shares purchased as a result of the Voluntary Tender Offer will not be cancelled.
The purchase of treasury shares will be accounted for in the Company's books in compliance with the applicable accounting standards and with the laws in force from time to time.

4. Minimum and maximum consideration due for the purchase of treasury shares and market valuations on the basis of which such consideration has been determined

With reference to the Voluntary Tender Offer, the consideration is determined in EUR 50.00 for each share excluding 2016 dividend (*ex dividendo 2016*) tendered to the Offer, or in EUR 25.00 for each share, also excluding 2016 dividend (*ex dividendo 2016*), in case of approval of the resolution concerning the stock split (the "**Voluntary Tender Offer Consideration**"), for an overall maximum purchase price of Euro 100 million.

The Voluntary Tender Offer Consideration includes a premium of 7.9% on the Company's ordinary shares official unitary price as at March 1, 2017 (trading day preceding the Board of Directors' resolution), adjusted to take into consideration the dividend distribution proposal, as well as a premium of 22.5% on the weighted average of the official prices of the shares in the 12 months prior to 2 March 2017.

The payment of the overall consideration of the Voluntary Tender Offer shall be entirely made by the Company with own cash.

5. Term of the authorisation to purchase treasury shares

The authorisation to purchase treasury shares is requested for a period of 18 (eighteen) months as of the date on which the shareholders adopt the resolution.

6. Authorisation to dispose of treasury shares

The Board of Directors proposes to authorise, pursuant to article 2357-*ter* of the Italian Civil Code, the disposal of the treasury shares purchased as a result of the Voluntary Tender Offer, at any time, in whole or in part, in one or more tranches, through the sale of such shares on or outside the Stock Exchange, including for the purpose of carrying out potential acquisitions and/or implementing strategic alliances consistent with the strategic guidelines of the group, or in order to make dividend or reserves distributions also in kind, or within the framework of incentive plans for the management and employees, according to the terms and conditions of the treasury shares sale and purchase agreements which are considered most suitable in the Company's interest, or to contain, in compliance with the laws in force, directly or through intermediaries, the abnormal movements of the quotations and to regularize the trend of negotiations and courses, facing distorting phenomena linked to an excess of volatility or to an inadequate liquidity of the exchanges, provided that:

- The unit sale price (or, in any case, the unit value determined in the context of the transactions involving the sale of treasury shares) shall not be lower than the average purchase price of the treasury shares acquired in accordance with the authorisation; and

- The above price limit shall not apply, however, in the event of a sale of shares to the employees of Italmobiliare and its subsidiaries, parent companies and the other companies controlled by the latters or to members of the Board of Directors of Italmobiliare, who are vested with special offices in compliance with the Articles of Association, or who perform specific operating duties, in connection with stock option plans for employees and directors, and in case of use of treasury shares in the context of potential extraordinary finance transactions or for other uses deemed to be of a financial, managerial and/or strategic interest for the Company.

The Board of Directors proposes that the authorisation to dispose of the treasury shares shall allow the adoption of any procedure deemed appropriate to achieve the intended objectives to be executed either directly or through intermediaries, in compliance with national and European laws and regulations.
The treasury shares' acquisitions and sales for which the authorisation is requested will be executed in compliance with applicable laws and, especially, in compliance with national and European laws and regulations including those on market abuse.
Appropriate disclosure of treasury shares acquisitions and sales will be provided in compliance with the applicable disclosure requirements.
The appropriate accounting entries shall be made in case of treasury shares sales pursuant to the applicable laws and accounting principles.

7. Term of the authorisation to dispose of treasury shares

The authorisation to dispose of treasury shares is requested without time limits.

***

If you agree with our proposal, we invite you to resolve upon the following resolution:

"*Italmobiliare S.p.A. Shareholders' Meeting:*
- *having acknowledged and approved the Directors' proposal,*
- *taking into account articles 2357 and subsequent of the Italian Civil Code*

hereby resolves

1. *to authorise, for a period of 18 (eighteen) months as of the date on which this resolution is adopted, the purchase of up to no. 2,000,000 (two millions) ordinary shares of Italmobiliare S.p.A. (or up to no. 4,000,000 (four millions) in case of approval of the resolution concerning the stock split), to be completed through a voluntary tender offer pursuant to article 144-bis, paragraph 1, lett. a) of the Consob Regulation 11971/1999;*
2. *to determine that the purchase price of the treasury shares to be acquired shall be equal to EUR 50.00 (fifty/00) for each share (ex 2016 dividends) tendered to the voluntary tender offer (or to EUR 25.00 (twenty five/00) for each share, ex 2016 dividends, in case of approval of the resolution concerning the stock split), for an overall maximum amount of EUR 100,000,000.00 (one hundred million/00);*
3. *to authorise, pursuant to article 2357-ter, paragraph 1 of the Italian Civil Code, the Board of Directors to dispose of the treasury shares purchased as a result of the voluntary tender offer, at any time, in whole or in part, in one or more tranches, through the sale of such shares on or outside the Stock Exchange, including for the purpose of carrying out potential acquisitions and/or implementing partnerships consistent with the strategic guidelines of the Italmobiliare Group, or in order to make dividend or reserves distributions also in kind, or within the framework of incentive plans for management and employees, or to contain, in compliance with the laws in force, directly or through intermediaries, the abnormal movements of the quotations and to regularise the trend of negotiations and courses, facing distorted phenomena linked to an excess of volatility or to an inadequate liquidity of the exchanges, according to the terms and conditions of the treasury shares sale and purchase agreements which are considered*

most suitable in the Company's interest, provided that the unit sale price (or, in any case, the unit value determined in the context of the transactions involving the sale of treasury shares) shall not be lower than the average purchase price of the treasury shares purchased in accordance with the authorisation (provided that this price limit shall not apply, however, in the event of a sale of shares to the employees of Italmobiliare S.p.A. and its subsidiaries, parent companies and the other companies controlled by the latters or to members of the Board of Directors of Italmobiliare S.p.A. who are vested with special offices in compliance with the Articles of Association or who perform specific operating duties, in connection with stock option plans for employees and for directors, and in case of use of treasury shares in the context of potential extraordinary finance transactions or for other uses deemed to be of a financial, managerial and/or strategic interest for the Company). The authorisation set forth in this point 3) is granted without time limits;

4. *to establish that, according to the law, the purchases herein authorised shall be made within the limits of the distributable earnings and available reserves reflected in the latest financial statement of the Company (including interim financial statements) approved when the purchase is made;*
5. *to grant the Board of Directors any power to account the treasury shares purchases or sale transactions in the financial statements in compliance with the laws and accounting principles applicable from time to time;*
6. *to grant the Chairman of the Board of Directors and to the Chief Executive Officer in office from time to time any power to execute, severally and also through attorneys-in-fact, the above resolutions.".*

Milan, 27 March 2017

On behalf of the Board of Directors
Chief Executive Officer
(Carlo Pesenti)

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Board of Directors' Report on the appointment of the Board of Directors upon prior determination of its term office and number of its members. Related and consequent resolutions.

Dear Shareholders,

the term of office of the Board of Directors of your Company is going to expire.

We thank you for your trust and invite you to appoint the new corporate body, after having determined the term of office and the number of its members which, under Art. 14 of the By-laws, cannot be less than 5 and higher than 15.

Under the By-laws, the appointment of the Board of Directors is made on the basis of lists aimed at assuring representation in the Board also to minority shareholders.

Lists may be presented only by shareholders who, alone or together with other shareholders, can prove they hold, as at the filing date, an overall percentage of the share capital with voting rights no lower than 1% as provided for under Consob Resolution no. 19856 dated 25 January 2017.

No shareholder may present or participate in the presentation of more than one list, neither through third parties or trust company.

Shareholders belonging to the same group and shareholders who are party to a shareholders' agreement on the Company's shares are not allowed to present more than one list, neither through third party or trust companies.

Lists filed in violation of these restrictions are not accepted.

In each list the names of candidates must be listed in sequential order.

Lists with an overall number of candidates equal to or over three must be composed of candidates belonging to both genders, so that at least one-third (rounded up) of the candidates for the office belong to the least represented gender.

Being the first application of the regulation on gender balance among corporate bodies of listed companies, lists including a number of candidates equal to or greater than three must be composed of candidates representing both genders, so that one or the other gender represents at least one third (rounded upwards) of candidates.

Each candidate may be presented on one list only, under penalty of ineligibility.

Lists must be filed with the registered office (via Borgonuovo n. 20, 20121 Milano – Legal and Corporate Affairs Department) or by sending notice to the address of certified e-mail: affarisocietari.italmobiliare@legalmail.it at least 25 days before the Meeting date (i.e. by and not later than 25 March 2017) along with the following documentation:

a) statements by which individual candidates accept their candidature and, under their own responsibility, state the non-existence of ineligibility causes and possession of the integrity requirements established by law;
b) a brief resume concerning personal and professional skills of each candidate, with indication of their position as director and statutory auditor in other companies;
c) statements of each candidate about the possession of the independence requisites required by the law and the Code of Conduct;
d) information on the identity of shareholders who have submitted the lists;
e) a statement of the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection with the majority shareholder, as defined by the law in force.

The documentation issued by the authorized intermediary and providing evidence of the entitlement to the voting right as at the filing date of the lists can be produced also afterwards, but in any case at least 21 days prior to the scheduled Annual General Meeting (i.e. by and not later than 29 March 2017).

Lists filed in breach of the above provisions are considered as not filed.

In view of the above, we invite you to appoint the members of the Board – upon prior determination of the term of office and number of its members – from the lists that have been submitted by Shareholders or, in event that no list has been submitted in due time, as per proposals that may be discussed during the General meeting.

Milan, 2 March 2017

On behalf of the Board of Directors
The Chief Executive Officer
(Carlo Pesenti)

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Board of Directors' Report regarding the determination of the remuneration to be granted to the Board members

Dear Shareholders,

According to the article 2389 of the Italian civil code and in the absence of a specific Bylaws' provision, the remuneration to be granted to the Board members shall be defined by the General Shareholders' Meeting without prejudice to the competence of the Board of Directors in determining the compensation of the Directors vested with special powers.

To this extent, it is recalled that the General Shareholders' meeting of 27 May 2014 resolved to grant, until further resolution, to each Director a gross annual remuneration of:

- 36,000 euro for each member of the Board of Directors;
- 6,000 euro for each meeting attended by the Board members who are also members of the Executive committee;
- 3,000 euro for each meeting attended by the Board members who are also members of other committees (if any and as applicable);
- 2,500 euro for each meeting attended by each member of the Supervisory Body.

In relation to the above, we invite you to determine – upon proposal of the shareholders to be submitted before or during the General meeting – the compensation to be granted to the Board members.

Milan, 2 March 2017

On behalf of the Board of Directors
The Chief Executive Officer
(Carlo Pesenti)

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Board of Directors’ Report on the appointment of Statutory Auditors, the Chairman of the Board of Statutory Auditors and determination of their remuneration

Dear Shareholders,

Upon approval of the financial statements as at 31 December 2016, the office of the entire Board of Statutory Auditors will expire.

We invite you to appoint, for the 2017-2019 three-year period, three acting Auditors and three substitute Auditors, the Chairman of the Board, and to determine their respective annual remuneration without prejudice to the reimbursement of expenses incurred when exercising their functions, as expressly provided for by the Bylaws.

According to the Bylaws, the Board of Statutory Auditors is appointed on the basis of lists aimed at assuring the appointment of one acting Auditor and one substitute Auditor by the minority shareholders.

Lists may be presented only by shareholders who, alone or together with other shareholders, can prove they hold, as at the filing date with the company head office, an overall percentage of the share capital with voting rights no lower than 1% as provided for under Consob Resolution no. 19856 dated 25 January 2017.

No shareholder may present or participate in the presentation of more than one list, neither through third parties or trust company.

Shareholders belonging to the same group and shareholders who are party to a shareholders’ agreement on the Company’s shares are not allowed to present or vote for more than one list, neither through third party or trust companies.

Lists filed in violation of these restrictions are not accepted.

Each list consists of two sections: one for candidates as Acting Auditors, and the other for candidates as Substitute Auditors.

Each section shall list in progressive order the names of no more than three candidates as acting Auditors and no more than three candidates as substitute Auditors.

Lists including a number of candidates equal to or greater than three must be composed of candidates representing both genders, so that one or the other gender represents at least one third (rounded upwards) of candidates to the post of Acting Auditor and at least one third (rounded upwards) of candidates to the post of Substitute Auditor.

Each candidate may be presented on one list only under penalty of ineligibility.

Lists must be filed with the company head office (via Borgonuovo, 20 – 20121 Milano – Legal and Corporate Affairs Department – to the above mentioned address) or by sending notice to the address of certified e-mail: affarisocietari.italmobiliare@legalmail.it, at least 25 days before the meeting date on first call (i.e. by 25 March 2017), along with the following documentation:

a) statements by which individual candidate accept their candidature and, under his/her own responsibility, state the non-existence of causes for ineligibility or incompatibility as well as the entitlement of further requirements established by the law, company bylaws and Code of Conduct;
b) a brief resume on the personal and professional skills of each candidate with indication of their position as director and statutory auditor in other companies;
c) information on the identity of shareholders who have presented lists;

d) a statement of the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection with the majority shareholder, as defined by the law in force.

The intermediary certification proving ownership of the shareholding prescribed at the date on which lists are presented may also be produced after the filing of the list provided that it reaches the company within 21 days before the meeting date on first call (i.e. by 29 March 2017).

A list presented not in compliance with the above provisions will be considered as not presented.

In the event, by the deadline of 25 days before the date of the Meeting a single list has been filed, or only lists presented by shareholders who are connected to each other under current regulations, further lists can be presented until the following third day, and the threshold of 1% above mentioned will be halved.

In view of the above, we invite you to appoint the Statutory Auditors from the lists that have been submitted by shareholders or, in event that no list has been submitted in due time, as per proposals that may be discussed during the General by determining also their remuneration.

Milan, 2 March 2017

On behalf of the Board of Directors
The Chief Executive Officer
(Carlo Pesenti)

Board of Directors' Report on the 2017-2019 Financial Incentive Plan linked to the performance of the shares of Italmobiliare S.p.A.

Dear Shareholders,

The Board of Directors has convened you in this ordinary Shareholders' Meeting in order to submit to your approval – in accordance with Article 114-bis of Legislative Decree no. 58 of 24 February 1998 and its subsequent amendments and supplements (the "**Consolidated Law on Finance**, or "**TUF**") - an incentive and loyalty building plan named the "*2017-2019 Financial Incentive Plan linked to the Performance of the Shares of Italmobiliare S.p.A.*" (the "**Plan**") - reserved for executive directors, key management personnel and employees of Italmobiliare S.p.A. ("**Italmobiliare**" as well as of the latter's subsidiaries, in accordance with Article 93 of the Consolidated Law on Finance (the "**Subsidiaries**") - and implemented through the assignment of a financial incentive to beneficiaries - in the case of attainment of specific performance objectives ("**Performance Objectives**") – whose amount is linked to the stock exchange performance of the ordinary shares of Italmobiliare.

The informational report relative to the Plan, drafted in accordance with Article 84-bis and Attachment 3A of the Issuers' Regulation (the "**Informational Report**") will be made public in accordance with the law and can be consulted within the website of the Company www.italmobiliare.it under section "*Governance/General Meetings*" as well as within the storage device *eMarket STORAGE* along with this Report.

1) *Reasons for adopting the Plan*

In accordance with the best practices that are adopted by listed companies at the national and international level, remuneration plans based on shares are an effective instrument for creating incentives as well as loyalty amongst persons holding key positions, in addition to promoting elevated and improved performance amongst employees, thereby contributing to the growth and success of the companies.

The adoption of remuneration plans linked to the performance of company shares is also in line with the recommendations of the Corporate Governance Code for listed companies and adopted by Borsa Italiana SpA; Article 6 of the latter recognises that these typologies of plans are a suitable instrument for aligning the interests of executive directors and key management personnel of list companies with those of shareholders, thereby allowing for the pursuit of the primary objective of value creation in the medium to long term.

2) *Purpose and modalities for implementing the Plan*

The Plan provides for the assignment of a monetary incentive (the "**Financial Incentive**") to Beneficiaries following the attainment of specific performance objectives (the "**Performance Objectives")** which is proportional to the role held by each Beneficiary within the Company or the Group; it will increase or decrease in accordance with the trend of the market price of the shares of companies listed in the the "Mercato Telematico Azionario" (Italian electronic equity market) between the date in which admission of the Beneficiaries to the Plan is resolved (arithmetic average of the values of the previous thirty days) and the end of the monitoring period of the Performance Objectives (arithmetic average of the values in the three months of the last year of the Play Cycle), with the latter lasting three years from the year 2017.

For more details on the Plan, as well as on the meaning of the terms specified with a capital letter and used in this Report, refer to the Informational Report on the Plan, drafted in accordance with Article 84-bis and Attachment 3A of the Issuers' Regulation.

3) *Plan Beneficiaries*

The Plan is reserved for Executive Directors, Key management personnel and employees of Italmobiliare and its Subsidiaries, as identified by the bodies entrusted with implementing the Plan and following a consultation with the Remuneration Committee.

4) Modalities and clauses for implementation of the Plan, with specific reference to its duration and the conditions for assignment of the Shares

Without prejudice to the provisions of the Plan Regulation, each Beneficiary may receive the liquidation of the Financial Incentive if the Performance Objectives applicable to the Cycle of the Plan are attained.

The Performance and Overperformance Objectives which are applicable to each Cycle of the Plan are defined by the Board of Directors prior to the transmission of the Admissions Letters to the Beneficiaries and are expressed by the values of the NAV Target.

In the case of attainment – on the part of the Company, and at the end of the Performance Monitoring Period – of a NAV that is less than the Minimum NAV Target or greater than the NAV Target, the amount of the Financial Incentive will be consequently zeroed out or increased, in accordance with that reported in the table below.

Liquidation of the Financial Incentive on the basis of the level of attainment of the NAV Target

% of Attainment of the NAV Target (NAV=x)	% liquidation of the Financial Incentive (y)
x< Minimum NAV Target	y=0
Minimum NAV ≤x≤100% of the NAV Target	y= betw een 200 and 299 Points
x=100% of the NAV Target	y=100% = 300 Points
100% of the NAV Target ≤x≤NAV Target *Overperformance 1*	Max 400 Points
100% of the NAV Target ≤x≤ NAV Target *Overperformance 2*	Max 500 Points
x> NAV Target *Overperformance 2*	500 Points

The attainment of a NAV level:

i) that is below the Minimum NAV Target will not result in the liquidation of any Financial Incentive to the Beneficiaries;

ii) between the Minimum NAV Target and 100% of the NAV Target will result in the liquidation of a Financial Incentive to the Beneficiaries of 200 points, and which will increase in accordance with the graph illustrated below:

iii) equal to the NAV Target will result in the liquidation of a Financial Incentive to the Beneficiaries equal to 100% and equivalent to 300 Points;

iv) between the NAV Target and the NAV Target Overperformance 1 will result in the liquidation of a Financial Incentive to the Beneficiaries of up to 400 Points, and which will increase linearly;

v) between the NAV Target and the NAV Target Overperformance 2 will result in the liquidation of a Financial Incentive to the Beneficiaries of up to 500 Points, and which will increase linearly.

vi) beyond the NAV Target Overperformance 2 will result will result in the liquidation of a Financial Incentive to the Beneficiaries equal to the limit of 500 Points.

The amount of the Financial Incentive determined above will be increased or decreased in proportion to that specified in the preceding Article 2.

5) Potential support of the Plan on the part of the special fund for creating incentives for worker participation, in accordance with Article 4, paragraph 112, of Law no. 350 of 24 December 2003

The Plan will not receive any support from the special fund for creating incentives for worker participation in companies, in accordance with Article 4, paragraph 112, of Law no. 350 of 24 December 2003.

* * *

Dear Shareholders,

in light of that illustrated above, we hereby call upon you to approve the following resolutions:

"The Shareholders' Meeting of Italmobiliare S.p.A."

having reviewed the informational report of the Board of Directors drafted in accordance with Articles 114-bis and 125-ter of Legislative Decree no. 58 of 24 February 1998, as subsequently amended;

- *having reviewed the informational report drafted in accordance with Article 84-bis of the Regulation adopted by Consob with resolution No. 11971 of 14 May 1999, as subsequently amended and which was made available to the public according to the modalities prescribed by the currently effective regulations, hereby*

resolves

(i) to approve, in accordance with and by effect of Article 114-bis of Legislative Decree no. 58 of 24 February 1998, the adoption of the financial incentive plan named "2017-2019 Financial Incentive Plan" linked to the performance of the shares of Italmobiliare S.p.A. and whose characteristics (including conditions and requirements for implementation) are reported in the Informational Report of the Board of Directors as well as in the Informational Report of the Plan;

*(ii) to grant the Board of Directors, with powers of sub-delegation, any powers that are necessary or opportune for the execution of the "**2017-2019 Financial Incentive Plan**", in particular including but not limited to any power to prepare and adopt the regulations for implementation of the plan as well as modify and/or supplement it in addition to identifying the beneficiaries and determining their conditions of participation as well as implementing any deed, fulfilment, formality or communication which may be necessary or opportune for the management and/or implementation of the plan itself and with the right to delegate its powers, tasks and responsibilities pertaining to the execution and application of the plan to the Chairman and the Deputy Chairman of the Board of Directors and to the CEO, severally, without prejudice to the fact that any decision relative to and/or pertinent to participation within the Plan of the Chairman, the Deputy Chairman and the CEO (as well as any decision relative to and/or pertinent to the management and/or implementation of the plan with respect to them) will fall under the exclusive competence of the Board of Directors;*

(iii) to grant the Chairman, the Deputy Chairman of the Board of Directors and the CEO, severally, with all powers, including the power to delegate tasks, require to fulfil legislative and regulatory obligations that result from the approved resolutions".

* * *

Milan, 20 March 2017

On behalf of the Board of Directors
The Chief Executive Officer
(Carlo Pesenti)

THIS IS AN ENGLISH COURTESY TRANSLATION OF THE ORIGINAL DOCUMENTATION PREPARED IN ITALIAN LANGUAGE. PLEASE REFER TO THE ORIGINAL DOCUMENT. IN CASE OF DISCREPANCY, THE ITALIAN VERSION WILL PREVAIL

2017-2019 Financial incentive plan linked to the performance of the shares of Italmobiliare S.p.A. and subject to approval of the Shareholders' meeting on 19 april 2017

(pursuant to Article 84-bis of the Regulation adopted by CONSOB with resolution no. 11071 of 14 May 1999 and its subsequent amendments and supplements)

INTRODUCTION

This informational report (the "**Informational Report**") drafted in accordance with Article 84-bis and Form 7 of Attachment 3A of the regulation adopted by CONSOB by means of resolution no. 11971 of 14 May 1999 and its subsequent amendments and supplements (the "**Issuers' Regulation**") concerns the "*2017-2019 Financial Incentive Plan linked to the Performance of the Shares of Italmobiliare S.p.A.*" (the "**Plan**") approved by the Board of Directors of Italmobiliare S.p.A. (the "**Company**" or "**Italmobiliare**") on 2 March 2017 with the favorable opinion of the Remuneration Committee on 1 March 2017; this plan provides for the assignment – to executive directors, Key management personnel and other employees of the Company as well as of the latter's subsidiaries, and in the case of attainment of specific performance objectives ("**Performance Objectives**") – of a financial incentive whose amount is linked to the stock exchange performance of the ordinary shares of Italmobiliare.

Approval of the Plan, in accordance with Article 114-bis of Legislative Decree no. 58 of 24 February 1998 and its subsequent amendments and supplements (the "TUF", Consolidated Law on Finance), will be deliberated during the meeting convened on 19 April 2017.

As a result:

(i) this Informational Report is exclusively drafted on the basis of the contents of the proposal for adoption of the Plan approved by the Board of Directors of the Company on 2 March 2017;

(ii) any reference to the Plan contained in this Informational Report must be considered to be referring to the Plan subject to approval by the shareholders' meeting.

It should be noted that the Plan is considered to be of "specific relevance", in accordance with Article 114-bis, paragraph 3, of the TUF as well as Article 84-bis, paragraph 2, of the Issuers' Regulation given that it is directed towards directors with proxies as well as Key management personnel within the Company and of the latter's subsidiaries, in accordance with Article 93 of the TUF.

1. DEFINITIONS

Executive Directors	Refers to the directors of the Company or of Subsidiaries who are classified as executive on the basis of the Corporate Governance Code as well as directors entrusted with specific positions
Shares	Refers to the ordinary shares of Italmobiliare S.p.A. that are traded within the MTA (Italian electronic equity market).
Beneficiaries	Refers to Executive Directors, Key management personnel and other employees of the Company and, potentially, Subsidiaries which are beneficiaries of the Plan pursuant to this Informational Report.
Change of Control	Refers to an event in which a shareholder of Italmobiliare - retaining, on the date of approval of this Informational Report, a majority of the Shares – is no longer able to appoint a majority of the members of the Board of Directors.
CAGR	Refers to the "*Compounded Average Growth Rate*", i.e. the average growth rate during the course of a specific time period.
Plan Cycle	Refer to each three-year period, as of 2017, and which ends on the Liquidation Date.
Committee or Remuneration Committee	Refers to the Remuneration Committee of the Company.
Board or Board of Directors	Refers to the Board of Directors of the Company.
Admission Date	Refers to the date in which the admission of the Beneficiaries to the Plan is formally deliberated.
Liquidation Date	Refers to the date – in any case, following the expiration of the Performance Monitoring Period – in which the Company proceeds with liquidating the Financial Incentive.
Key management personnel	Refers to executives who retain the power and responsibility, both directly or indirectly, for planning, management and control of Company activities or for individual areas of corporate activities.
Company financial years	Refers to the financial years of the Company.
Group	Refers to Italmobiliare and its Subsidiaries.
Financial Incentive	Refers to the financial incentive which may be disbursed to the Beneficiaries on the Liquidation Date and which may be increased or decreased in proportion to the difference between the Fair Value of Shares on the Admissions Date and the Fair Value of Shares at the End of the Monitoring Period.
Admissions Letter	Refers to the letter sent to each Beneficiary communicating his/her inclusion within the Plan.

MBO	Refers to the annual variable component of the remuneration for Beneficiaries that is disbursed in connection with the attainment of pre-defined company objectives, as illustrated in the relative plan and relative regulations approved by the Company and which is separate from the Plan pursuant to this Informational Report.
MTA	Refers to the “Mercato Telematico Azionario” (Italian electronic equity market) which is organised and managed by Borsa Italiana S.p.A.
NAV	Refers to the Net Asset Value per Share net of any dividends that are potentially distributed and whose growth rate is determined through the CAGR and whose calculation method is the same as the one adopted by the Company for the drafting of the annual financial report published by Italmobiliare.
NAV Target	Refers to the NAV Target established by the Board of Directors in relation to the Performance Monitoring Period; at the time of its attainment and/or if it is exceeded, the Financial Incentive will be liquidated, in accordance with the proportions specified in the Regulation and in this Informational Report.
Minimum NAV Target	Refers to the minimum level of NAV set by the Board of Directors in relation to the Performance Monitoring Period; at the time of its attainment and/or if it is exceeded, the minimum percentage of the Financial Incentive will be liquidated, in accordance with the proportions specified in the Regulation.
NAV Target *Overperformance* 1	Refers to the minimum level of NAV that is greater than the NAV Target and set by the Board of Directors in relation to the Performance Monitoring Period; at the time of its attainment and/or if it is exceeded, a Financial Incentive will be liquidated that is greater than that liquidated in the case of attainment of the NAV Target.
NAV Target *Overperformance* 2	Refers to the minimum level of NAV that is greater than both the NAV Target and the NAV Target *Overperformance 1* and set by the Board of Directors in relation to the Performance Monitoring Period; at the time of its attainment and/or if it is exceeded, a Financial Incentive will be liquidated that is greater than that liquidated in the case of attainment of the NAV Target *Overperformance 1.*
***Overperformance* Objectives**	Refers to NAV Target *Overperformance* 1 and NAV Target *Overperformance* 2 levels.
***Performance* Objectives**	Refers to the objectives whose attainment is the necessary condition for liquidation of the Financial Incentive.
***Performance* Monitoring Period**	Refers to the 2017 – 2019 period in which the Performance Objectives are monitored; it includes the first day of the Company Financial Year when the Admissions Letter is sent and the last day of the Company Financial Year preceding the one of the Liquidation Date.
MBO Payout	Refers to the overall amount that is received in relation to the Plan Cycle as the sum of amounts received for the annual MBO on the part of each Beneficiary during Company Financial Years, in accordance with the MBO methodology applied by the Company following the attainment of its performance objectives and according to regulations that are separate from this Regulation and approved by the Board of Directors.

GAR Payout	Refers to the overall amount that is received in relation to the Plan Cycle as the sum of amounts received as gross annual remuneration (GAR) by each Beneficiary during Company Financial Years, in accordance with the provisions of the relative Employment Relationships.
Pay Mix	Refers to the component items of the remuneration of Beneficiaries, differentiated by the category/departments of the Company to which they belong, and composed of the amount received by Beneficiaries for (i) GAR, (ii) MBO, and (iii) the Financial Incentive pursuant to the Plan.
Plan	Refers to the Plan pursuant to this Informational Report.
Points	Refers to the points which – following the attainment of the Performance Objectives – allow for the determination of the exact amount of the Financial Incentive to liquidate to Beneficiaries.
GAR	Refers to the Gross Annual Remuneration that is specified in the employment contracts of the Beneficiaries.
Employment Relationship	Refers to the administration and/or employment relationship in force between the Beneficiaries and the Company or one of the Subsidiaries.
Regulation	Refers to the Regulation which regulates the Plan.
Company	Refers to Italmobiliare S.p.A., with its registered office in Milan, via Borgonuovo 20.
Subsidiaries	The companies which are part of the Group and controlled by Italmobiliare.
Value of shares	Refers to the official trading price of the Shares within the MTA and as published by Bloomberg.
Fair Value of Shares on the Admissions Date	Refers to the Value of Shares calculated as the arithmetic average of the official quotations of the share prices within the market managed by Borsa Italiana in the thirty calendar days preceding the Admissions Date.
Fair Value of Shares at the End of the Monitoring Period	Refers to the Value of Shares calculated as the arithmetic average of the official quotations of the share prices within the market managed by Borsa Italiana in the three months of the last year of the Performance Monitoring Period.

1. BENEFICIARIES

1.1. Names of beneficiaries who are members of the Board of Directors of the entity issuing the financial instruments as well as of parent companies of the latter and companies which it directly or indirectly controls

The Plan targets Executive Directors and/or Key management personnel and/or employees of Italmobiliare and its Subsidiaries who hold strategically significant positions or roles which are, in any case, capable of offering a significant contribution from the perspective of attaining the strategic objectives of the Company; the latter are identified by the Board of Directors following a consultation with the Remuneration Committee.

In order to be identified as a Beneficiary, the following prerequisites must be applicable:

1. be in an Employment Relationship with Italmobiliare or with one of the Subsidiaries;
2. must not have communicated an intention to withdraw from - or terminate, depending on the circumstances – the Employment Relationship;
3. must not have received a notice for dismissal or withdrawal from the Company or one of the Subsidiaries or a revocation of the Employment Relationship;
4. must not have reached a mutual agreement for cancellation of the Employment Relationship;
5. the party in question must not be subject to disciplinary provisions based on the provisions of the Code of Ethics and the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 which were adopted by the Company.

As of the date of this Informational Report, the Plan has not yet been approved by the Shareholders' Meeting; as a result, it is not possible to provide the names of the Beneficiaries.

1.2. Categories of employees or collaborators of the entity issuing the financial instruments as well as the parent companies and subsidiaries of this issuer

As of the date of this Informational Report, the Plan has not yet been approved by the Shareholders' Meeting; as a result, it is not possible to provide information relative to the categories of employees and collaborators that will be classified as Beneficiaries.

Identification of Beneficiaries who are Executive Directors and/or Key management personnel and/or other employees, as well as the determination of their Pay Mix, will be implemented by the Board of Directors, with any directors potentially included amongst the Beneficiaries abstaining; this will be implemented after consulting with the Remuneration Committee and after having considered the significance of the relative position held in the Company or in the Subsidiaries and in relation to the value added to the Company and the Group.

When identifying the Beneficiaries, the Board of Directors or the Chairman will utilize the technical/administrative support of the Human Resources and Organisation Department.

1.3. Specification of names of parties benefiting from the plan and belonging to the following groups:

a) *general managers of the entity issuing the financial instruments;*

As of the date of this Informational Report, the Plan has not yet been approved by the Shareholders' Meeting; as a result, it is not possible to provide the names of the Beneficiaries.

b) *other key management personnel within the entity issuing the financial instruments - and which is not of "minor size", in accordance with Article 3, paragraph 1, letter f) of Regulations No. 17221 of 12 March 2010 – and in the case that they have received, during the course of the year, overall compensation (obtained by adding financial compensation with that based on financial instruments) which is greater than the overall highest compensation assigned to members of the Board of Directors or of the management Board or to general directors of the issuing entity;*

As of the date of this Informational Report, the Plan has not yet been approved by the Shareholders' Meeting; as a result, it is not possible to provide the names of the Beneficiaries.

c) *natural persons controlling the entity issuing the shares and which are employees or independent contractors of the issuer*

As of the date of this Informational Report, the Plan has not yet been approved by the Shareholders' Meeting; as a result, it is not possible to provide the names of the Beneficiaries.

1.4. Description and numerical specification, separated by categories:

a) *key management personnel that are different from those specified in letter b) of paragraph 1.3;*

As of the date of this Informational Report, the Plan has not yet been approved by the Shareholders' Meeting; as a result, it is not possible to provide the names of the Beneficiaries.

b) *in the case of companies of "minor size pursuant to Article 3, paragraph 1, letter f) of Regulations No. 17221 of 12 March 2010, aggregate reporting of all key management personnel within the entity issuing the financial instruments;*

Not applicable given that Italmobiliare is not classified as a company of "minor size" on the basis of *Article 3, paragraph 1, letter f) of the Regulation adopted by Consob by means of resolution No. 17221 of 12 March 2010.*

c) *other potential categories of employees or collaborators for which differentiated categories of the plan have been provided for (for e.g. executives, mid-level managers, office employees, etc..)*

There are no categories of employees or collaborators for which differentiated characteristics of the Plan have been provided for.

2. REASONS FOR ADOPTING THE PLAN

2.1. The objectives of application of the Plan

The Company, in accordance with the best practices that are adopted by listed companies at the national and international level, believes that the compensation plans linked to trends in stock prices are an effective instrument for creating incentives as well as loyalty amongst persons holding key positions in addition to promoting elevated and improved performance amongst employees, thereby contributing to the growth and success of the companies.

The adoption of remuneration plans linked to the performance of company shares is also in line with the recommendations of the Corporate Governance Code; Article 6 of the latter recognizes that these typologies of plans are a suitable instrument for aligning the interests of executive directors and Key management personnel of list companies with those of shareholders, thereby allowing for the pursuit of the primary objective of value creation in the medium to long term.

In particular, Italmobiliare aims to promote and pursue the following objectives by means of the Plan:

- link overall remuneration, and in particular the incentive system of key officers and executives of the Group, with the effective performance of the Company and the creation of new value for the Italmobiliare Group, as also illustrated in the Corporate Governance Code for listed companies;
- link the overall remuneration of Beneficiaries with the medium to long-term performance of the Company and to "value creation" for shareholders;
- further develop retention policies which aim to create loyalty amongst key human resources and incentivize their continued employment within the Company or the Group;
- reward the results attained by each Beneficiary by creating the conditions for ensuring greater involvement of

top company executives in the results of the Company and increasing the sense of ownership of the Beneficiaries by incentivizing their continued stay in the company.

2.1.1 Additional information

The reasons and criteria through which the Company establishes the Pay Mix and, as a result, the overall remuneration of the Beneficiaries, are based, on the one hand, on the need to generate incentive and loyalty-building goals for persons holding key positions – thereby maintaining elevated and improving performance in order to contribute to the Company's growth and success – and, on the other hand, on the need to recognize overall benefits to the affected parties which are in line with the best practices of the market adopted by listed company at a national and international level, as also highlighted by the Corporate Governance Code itself and in compliance with the preceding paragraph 2.1.

The Plan extends across a time period which is deemed suitable for attaining the incentive and loyalty-building objectives and which corresponds to the Plan Cycle.

In any case, the Pay Mix of the Beneficiaries – in the case that the Performance Objectives are 100% realised and, as a result, the liquidation percentage of the Financial Incentive corresponds to 300 points (as illustrated in more detail below) – will be determined within the following minimum and maximum limits of proportions and in accordance with combinations that will be determined by the Company bodies and communicated to the Beneficiaries by means of the Admissions Letters:

Pay Mix Components					
RAL		MBO		Financial Incentive	
Min.	33%	**Min.**	15%	**Min.**	15%
Max.	70%	**Max.**	33%	**Max.**	33%

2.2. Key variables, even in the form of performance indicators considered for the purposes of assigning plans based/linked to financial instruments

Each Beneficiary may receive the liquidation of the Financial Incentive if the Performance Objectives applicable to the Cycle of the Plan are attained.
The Performance and Overperformance Objectives which are applicable to each Cycle of the Plan are defined by the Board of Directors prior to the transmission of the Admissions Letters to the Beneficiaries and are expressed by the values of the NAV Target. In the case of attainment – on the part of the Company, and at the end of the Performance Monitoring Period – of a NAV that is less than the Minimum NAV Target or greater than the NAV Target, the amount of the Financial Incentive will be consequently zeroed out or increased, in accordance with that reported in the subsequent paragraph of this Informational Report.

In addition, the amount of the Financial Incentive – determined in accordance with the aforementioned criteria – will be increased or decreased in proportion to the difference between the Fair Value of Shares on the Admissions Date and the Fair Value of Shares at the End of the Monitoring Period.

2.2.1 Additional information

Each Beneficiary may receive the liquidation of the Financial Incentive if the Performance Objectives applicable to the Cycle of the Plan are attained, in accordance with that reported in the following table.

Liquidation of the Financial Incentive on the basis of the level of attainment of the NAV Target

% of Attainment of the NAV Target (NAV=x)	% liquidation of the Financial Incentive (y)
x< Minimum NAV Target	y=0
Minimum NAV ≤x≤100% of the NAV Target	y= betw een 200 and 299 Points
x=100% of the NAV Target	y=100% = 300 Points
100% of the NAV Target ≤x≤NAV Target *Overperformance 1*	Max 400 Points
100% of the NAV Target ≤x≤ NAV Target *Overperformance 2*	Max 500 Points
x> NAV Target *Overperformance 2*	500 Points

The attainment of a NAV level:

i) that is below the Minimum NAV Target will not result in the liquidation of any Financial Incentive to the Beneficiaries;
ii) between the Minimum NAV Target and 100% of the NAV Target will result in the liquidation of a Financial Incentive to the Beneficiaries of 200 points, and which will increase linearly;
iii) equal to the NAV Target will result in the liquidation of a Financial Incentive to the Beneficiaries equal to 100% and equivalent to 300 Points;
iv) between the NAV Target and the NAV Target Overperformance 1 will result in the liquidation of a Financial Incentive to the Beneficiaries of up to 400 Points, and which will increase linearly;
v) between the NAV Target and the NAV Target Overperformance 2 will result in the liquidation of a Financial Incentive to the Beneficiaries of up to 500 Points, and which will increase linearly;
vi) beyond the NAV Target Overperformance 2 will result will result in the liquidation of a Financial Incentive to the Beneficiaries equal to the limit of 500 Points.

The amount of the Financial Incentive determined above will be increased or decreased in proportion to the difference between the Fair Value of the Shares on the Admissions Date and the Fair Value of the Shares at the End of the Monitoring Period.

Regardless of the difference between the Fair Value of the Shares on the Admissions Date and the Fair Value of the Shares at the End of the Monitoring Period, the increase in the Financial Incentive may not exceed a maximum amount that is equal to three times the sum of the GAR Payout and the MBO Payout for each individual Beneficiary.

2.3. Elements used to determine the amount of the compensation based on financial instruments, i.e. the criteria for its determination

On the Admissions Date, the competent body will determine – for each Beneficiary, and following consultations with the Remuneration Committee – the following items after having assessed the strategic importance of each Beneficiary in terms of the potential for new value creation:

- the exact composition of the Pay Mix;
- the number of Points ascribable to the Pay Mix;
- the Performance Objectives and Overperformance objectives at whose date of attainment the Financial Incentive will be liquidated;

These elements must be considered the foundational elements to determine the amount of compensation to assign to the Beneficiaries within the context of the Plan.

2.3.1 Additional information

The Pay Mix of each Beneficiary is defined by evaluating the strategic importance of each Beneficiary in relation to the creation of new value and by considering the following elements:

- Organisational relevance of the position.
- *Performance track record of the party holding the position.*
- Critical requirement for retention
- *Organisational fit and trust.*
- Talent and potential
- Size of the directly managed business
- Strategic contribution of the role and critical level of know-how

2.4. Reasons underlying a potential decision to assign compensation plans based on financial instruments not issued by the issuer, such as financial instruments issued by subsidiaries or parent companies or third party companies external to the Group of belonging; in the case that the aforementioned instruments are not traded within regulated markets, information on the criteria utilized to determine the value ascribable to them

Not applicable given that the Plan does not provide for the assignment of a Financial Incentive linked to the Shares of Italmobiliare.

2.5. Evaluations pertaining to significant fiscal and accounting factors that influenced the definition of the plans

There were no significant fiscal and accounting factors that influenced the definition of the Plan.

2.6. Potential support of the Plan on the part of the special fund for creating incentives for worker participation in companies, in accordance with Article 4, paragraph 112, of Law no. 350 of 24 December 2003

The Plan will not receive any support from the special fund for creating incentives for worker participation in companies, in accordance with Article 4, paragraph 112, of Law no. 350 of 24 December 2003.

3. PROCESS FOR APPROVAL AND TIME SCHEDULE FOR ASSIGNMENT OF THE SHARES

This paragraph supplies information pertaining to the Plan although the latter does not involve the assignment of Shares but rather the assignment of a Financial Incentive whose amount may vary on the basis of the stock market performance of the Shares.

3.1. Range of powers and functions delegated from the shareholders' meeting to the Board of Directors in order to implement the plan

On 2 March 2017, the Board of Directors of the Company – following a favorable opinion of the Remuneration Committee on 1 March 2017– deliberated to present the Plan for approval to the ordinary Shareholders' Meeting.

The Shareholders' Meeting will be called upon to resolve upon not only the approval of the Plan but also the conferral – to the Board of Directors – of all necessary or opportune powers required to fully and completely implement the Plan, in particular (including but not limited to) any power to approve the Regulation or modify and/or supplement it as well as identify the Beneficiaries, determine the Pay Mix of Beneficiaries and specify the details of the Performance Objectives in addition to providing for the drafting/and or finalization of any document that is necessary and/or opportune in relation to the Plan and implementing any deed, fulfillment, formality and communication that is necessary or opportune for the purposes of the management and/or implementation of the Plan itself, while retaining the right to delegate its powers, tasks and responsibilities pertaining to the execution and application of the Plan to the CEO of Italmobiliare, without prejudice to the fact that any decision pertaining to the identification of Beneficiaries who are Executive Directors and/or Key management personnel and/or parties directly reporting to the CEO, as well as the determination of their Pay Mix, will be taken by the Board of Directors with any directors potentially included amongst the Beneficiaries abstaining.

The identification of other Beneficiaries who are not Executive Directors and/or Key management personnel and/or which report directly to the CEO, as well as the determination of their Pay Mix, will be implemented by the CEO after consulting with the Remuneration Committee.

3.2. *Identification of the parties entrusted with administration of the plan and their functions and powers*

The power to execute the Plan is assigned to the Board of Directors which is entrusted by the Shareholders' Meeting with managing and implementing the Plan while availing itself of the preliminary and advisory support of the Remuneration Committee as well as the support of the Human Resources and Organisation Department.

Operational management of the Plan will be delegated to the CEO who will operate in compliance with the provisions of the Plan regulation. In the case of a conflict of interest, the operational management of the Plan will be delegated to the Board of Directors after consulting with the Remuneration Committee.

3.3. Potential procedures for the revision of plans, even in relation to potential changes in basic objectives

Without prejudice to the competence of the Shareholders' Meeting for those cases required by law, the Board of Directors is the competent body to apply modifications to the Plan following a consultation with the Remuneration Committee.

3.4. Description of the modalities through which to determine the availability and assignment of financial instruments on which the plans are based (for e.g.: the free assignment of shares, share capital increases with the exclusion of option rights, purchase and sale of own shares)

The Plan involves the assignment of a Financial Incentive to beneficiaries – in the case of attainment of the Performance Objectives – whose amount is linked to the stock market performance of the ordinary shares of Italmobiliare. The Plan, as a result, does not provide for the assignment of financial instruments.

3.5. Role of each director in determining the characteristics of the cited plans; potential occurrence of situations of conflict of interest for affected directors

The characteristics of the Plan – which must be presented for approval to the shareholders' meeting, in accordance with and by effect of Article 114-bis of the TUF – were determined in a collegial manner by the Board of Directors who approved to present the shareholders' meeting with a proposal to adopt the Plan following approval from the Remuneration Committee.

3.6. For the purposes of the requirements of Article 84-bis, paragraph 1, the date of the decision taken by the competent body for proposing approval of the plans to the shareholders' meeting and of a potential proposal for a potential remuneration committee

On 2 March 2017, the Board of Directors of the Company approved the proposal to present the Shareholder's Meeting with the Plan following authorization from the Remuneration Committee which met on 1 March 2017.

3.7. For the purposes of the requirements of Article 84-bis, paragraph 5, letter a), the date of the decision taken by the competent body in relation to the assignment of the instruments and the potential proposal to the aforementioned body formulated by the potential remuneration committee

Not applicable given that – on the date of this Informational Report – the Report had not yet been approved by the Shareholders' Meeting.

3.8. Market price recorded in the aforementioned dates of the financial instruments on which the plans are based, if traded in regulated markets

Not applicable given that – on the date of this Informational Report – the Report had not yet been approved by the Shareholders' Meeting.

3.9. In the case of plans based on financial instruments traded within regulated markets, the terms and modalities which are taken into account by the issuer when identifying the timing for assigning financial instruments used to implement the plans and with regard to the potential temporal concurrence between: (i) this assignment or potential decisions taken by the Remuneration Committee, and (ii) the diffusion of potential information relevant on the basis of Article 114, paragraph 1; for e.g., in the case that this information is: a. not already public and capable of positively influencing market prices, or b. already public and capable of negatively influencing market prices

The Plan involves the assignment of a Financial Incentive to Beneficiaries – in the case of attainment of the Performance Objectives – whose amount is linked to the stock market performance of the ordinary shares of Italmobiliare. The Plan, as a result, does not provide for the assignment of financial instruments.

The structure of the Plan, as well as its conditions and the modalities for determining increases or decreases in the amount of the Financial Incentive with respect to the Value of the Shares, may be influenced by the potential diffusion of relevant information pursuant to Article 114, paragraph 1, of the TUF. In any case, and in order to reduce this influence, the determination of increases or decreases in the Financial Incentive will be calculated on the basis of the difference between the Fair Value of Shares on the Admissions Date and the Fair Value of Shares at the End of the Monitoring Period by utilizing the arithmetic average of valuation periods of the Shares, in accordance with market practices. This methodology is considered sufficiently extensive by the Board of Directors for the purposes of normalizing the impact of a potential distribution of relevant information.

4. CHARACTERISTICS OF ASSIGNED INSTRUMENTS

4.1. Description of the forms used to structure compensation plans based on financial instruments

The Plan involves the assignment of a Financial Incentive to executive directors and key management personnel – in the case of attainment of the Performance Objectives – whose amount is linked to the stock market performance of the ordinary shares of Italmobiliare. The Plan, as a result, does not provide for the assignment of financial instruments.

4.2. Specification of the period of effective implementation of the Plan, even with reference to potentially different cycles

The Plan is structured across a three-year time period (2017-2019) and provides for a Plan Cycle that is composed as follows:

I. the transmission of Admissions Letters to Beneficiaries, which must be completed in the current year 2017;
II. the Performance Monitoring Period;
III. the potential liquidation of the Financial Incentive which must be implemented on the Liquidation Date in 2020;

The Board of Directors - following a consultation with the Remuneration Committee and subordinate to the prior determination of the relative Performance Objectives – reserves the right draft additional Plan Cycles in subsequent years.

4.3. End of the plan

Refer to the preceding paragraph 4.2.

4.4. Maximum number of financial instruments, even in the form of options, that are assigned each fiscal year in relation to parties that identified by name or the specific categories

The Plan does not provide for the assignment of financial instruments.

4.5. Modalities and clauses for implementation of the plan, specifying whether the effective assignment of the instruments is subordinate to the occurrence of conditions or the attainment of specific results, even performance-based; description of these conditions and results

The Plan does not provide for the assignment of financial instruments.

With regard to the modalities and clauses for implementation of the Plan, refer to the provisions of the individual paragraphs of this Informational Report which describe, in detail, the conditions – including the Performance Objectives – required for assignment of the Financial Incentive.

4.6. Specification of potential availability constraints on assigned instruments or on instruments derived from the exercising of options, with particular reference to the deadlines within which the subsequent transfer to the company or third parties is authorized or prohibited

The Plan does not provide for the assignment of financial instruments.

4.7. Description of potential termination clauses in relation to the assignment of the plans in the case that the beneficiaries implement hedging operations which allow for neutralization of potential sales prohibitions of assigned financial instruments, even in the form of options or financial instruments derived from the exercising of these options

Not applicable, given that no termination clauses are provided for in the case that the Beneficiary implements hedging operations.

4.8. Description of effects resulting from termination of the Employment Relationship

The terms and conditions which regulate relations between Italmobiliare and the Beneficiary in the case of termination of the Employment Relationship are reported below:

a) in the case of termination of the Employment Relationship due to a dismissal or resignation – and which occurs after the end of the Performance Monitoring Period but prior to the Liquidation Date – the Beneficiary will receive the Financial Incentive that was attained, determined in accordance with the Regulation;

b) in the case of a mutually agreed cancellation of the Employment Relationship or a resignation for retirement or as a result of invalidity - and which occurs after the end of the Performance Monitoring Period but prior to the Liquidation Date – the Beneficiary will receive the Financial Incentive that was attained, determined in accordance with the Regulation;

c) in the case of death of the Beneficiary, and which occurs after the end of the Performance Monitoring Period but prior to the Liquidation Date, the right to disbursement of the Financial Incentive that potentially accrued will be recognized for the heirs of the Beneficiary following the production, on the part of the latter, of the necessary documentation proving this status.

d) If, during the Performance Monitoring Period, there is a transfer of the Employment Relationship of the Beneficiary between the Company and the Subsidiaries, independently of the modalities through which this transfer occurs, or the ational position of the Beneficiary is modified with a consequent change in the latter's responsibilities, the Financial Incentive of reference will be consequently updated;

e) in the case of cessation of the Employment Relationship or modification of the role held during the duration of the Plan Cycle and, in any case, prior to the end of the Performance Monitoring Period, the Board may - at its own discretion and after having consulted with the Committee and given the reasons justifying the cessation or change – equitably evaluate the disbursement of a lump sum compensation that is proportional to the duration of the completed period and the transitory partial level of attainment of the Performance Objectives;

f) in the case of death of the Beneficiary during the Plan Cycle and, in any case, prior to the end of the Performance Monitoring Period, the Board may - at its own discretion and after having consulted with the Committee - equitably evaluate the disbursement of a lump sum compensation that is proportional to the duration of the completed period and the transitory partial level of attainment of the Performance Objectives; this sum will be disbursed to the heirs of the Beneficiary following the production, on the part of the latter, of the necessary documentation proving this status.

In individual cases where a significant company interest is involved and a significant contribution on the part of the Beneficiary has been noted in relation to the purposes of this Plan, and even in the case of interruption of the Employment Relationship of the Beneficiary during the course of the Performance Monitoring Period, the CEO – who operates in compliance with the powers attributed to him/her by means of a specific proxy from the Board as well as with the provisions of the Regulation – or the Board of Directors – in the case of a conflict of interest for the CEO, and following consultations with the Remuneration Committee – retains the right to proceed with the full or partial liquidation of the Financial Incentive, even in the absence of attainment of the Performance Objectives specified in the table above.

4.9. Specification of potential other causes for cancellation of the plans

Without prejudice to that specified in other paragraphs of this Informational Report, there are no other causes for cancellation of the Plan.

4.10. Justification for a potential provision for “redemption” of the financial instruments pursuant to the plans on the part of the company, in accordance with Article 2357 et sequitur of the Italian Civil Code; the beneficiaries of the redemption who must specify it is only relative to certain categories of employees; the effects of termination of the employment relationship on this redemption

The Plan does not provide for the assignment of financial instruments and, as a result, there are no clauses relative to redemption from the Company.

In any case, the Board, after having consulted with the Committee, may temporarily suspend the effects of the Plan for the Beneficiaries in the case of specific requirements including, by way of example, changes in both legal norms and regulations, with the exclusion of fiscal regulations, and which are applicable to the legal relationships affected by the Plan.

Suspension of the effects of the Plan for the Beneficiaries will also be implemented, in any case, if there are circumstances that include, but are not limited to, company mergers and spin-offs which have an effect on the share capital of the Company, increases and decreases in the share capital of the Company, and changes in the Articles of Association involving the Shares which could affect the conditions regulating the application of the Plan by potentially altering economic-financial assumptions and altering its purposes.

A potential suspension in accordance with that outlined above will be promptly communicated to the Beneficiaries.

The Board may – in all the cases referred to above, and following a consultation with the Committee – apply potential amendments and supplement to the Plan, the Plan Cycle and the Regulation or provide for its abrogation in the case that it is no longer consistent with the company’s situation, and without prejudice to potential rights that have, in the meantime, been acquired as a result of the full expiration of the three-year period of reference and the fulfillment of the requirements and conditions pursuant to the Regulation.

4.11. Potential loans or other facilitations which can be granted for the purchase of shares on the basis of Article 2358 of the Italian Civil Code

Not applicable, given that the Plan does not provide for the purchase of financial instruments.

4.12. Specifications on the valuation of the expected cost for the company on the date of the relative assignment, as can be determined on the basis of previously defined terms and conditions, in terms of overall amount as well as each instrument of the Plan

Not applicable, given that the Plan does not provide for the assignment of financial instruments.

4.13. Specification of potential diluting effects on share capital due to compensation plans

Not applicable, given that the Plan does not provide for the issue of financial instruments on the part of the Issuer.

4.14. Potential limits for exercising voting rights and the assignment of property rights

Not applicable, given that the Plan does not provide for the assignment of financial instruments on the part of the Issuer.

4.15. In the case that the Shares are not traded within regulated markets, any information that is useful for a detailed valuation of their value.

Not applicable, given that the Plan does not provide for the assignment of Shares.

4.16. Number of financial instruments underlying each option

Not applicable, given that the Plan does not provide for the assignment of Shares.

4.17. Expiration of options

Not applicable, given that the Plan does not provide for the assignment of options.

4.18. Modality (US/EU), timing (e.g. valid periods of exercising) and operational clauses (for e.g. knock-in and knock-out clauses)

Not applicable, given that the Plan does not provide for the assignment of options.

4.19. Exercise price of the option or the modalities and criteria for its determination, particularly with regard to: a) the formula for calculation of the exercise price in relation to a specific market price (fair market value) (for e.g.: an exercise price of 90%, 100% or 110% of the market price), and b) the modalities for determination of the market price that is used to determine the exercise price (for e.g.: last price of the day preceding the assignment, average for the day, average of the past 30 days etc..)

Not applicable, given that the Plan does not provide for the assignment of options.

4.20. Justification for the difference between the exercise price and the market price determined in accordance with point 4.19 (fair market value)

Not applicable.

4.21. Criteria used to justify different exercise prices between different parties or categories of recipient parties

Not applicable.

4.22. In the case that the financial instruments underlying the options are not traded within regulated markets, a specification of the value ascribable to the underlying instruments or the criteria used to determine this value

Not applicable, given that the Plan does not provide for the assignment of options.

4.23. Criteria for the adjustments that are required as a result extraordinary share capital operations and other operations which involve a change in the number of underlying instruments (share capital increases, extraordinary dividends, grouping and subdivision of underlying shares, mergers and spin-offs, operations for conversion into other share categories etc.)

In the case of a merger or spin-off of the Company with other companies, the Performance Objectives may be modified in proportion to the value of the NAV of the shares of the company resulting from the merger or spin-off and proportional to the applied share exchange rate.

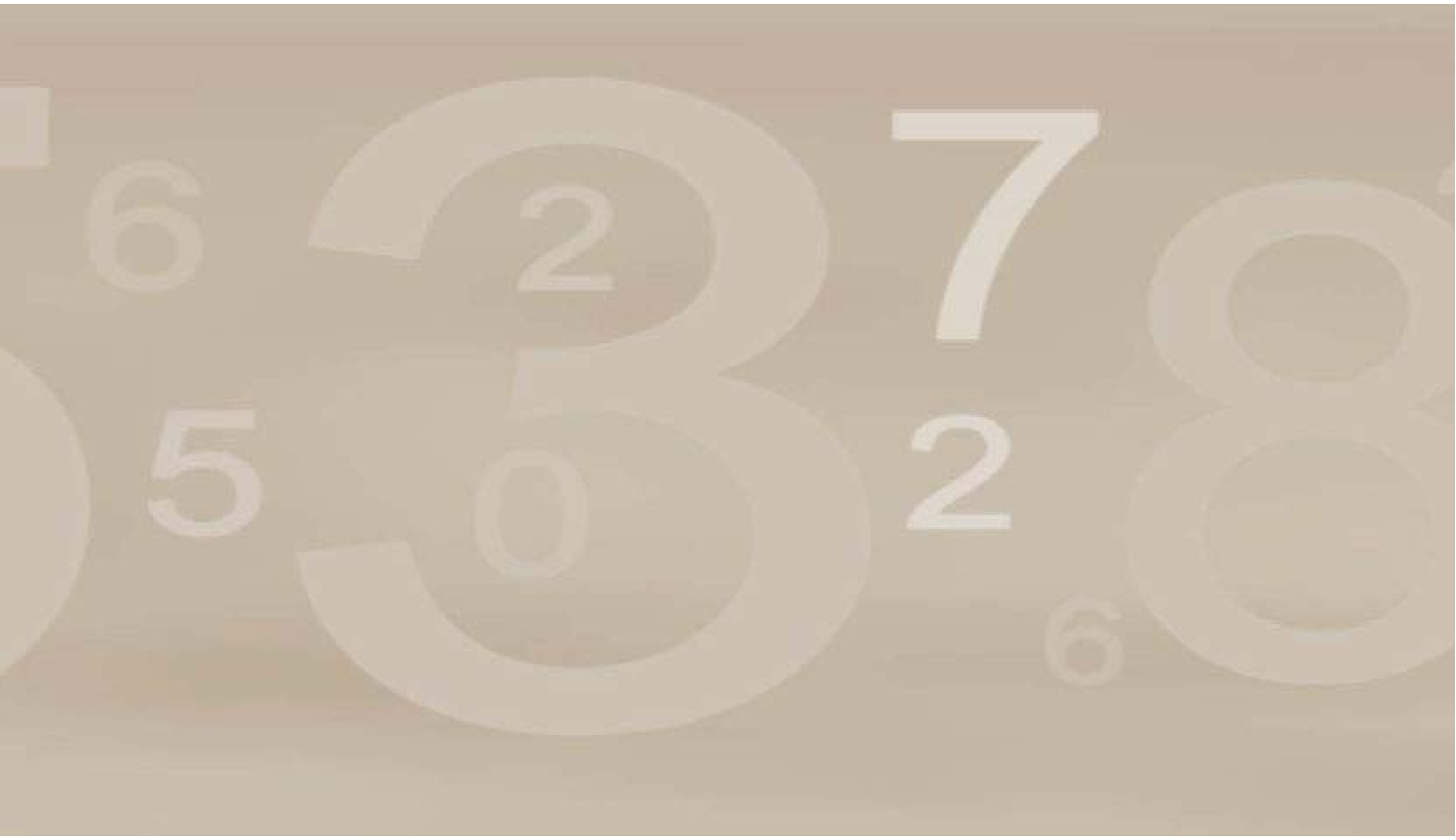
In the case of delisting of the Company during the course of the Plan Cycle and, in any case, before the end of the Performance Monitoring Period, the Board of Directors will re-determine the Performance Objectives by referring them to a shorter time period compared to the Performance Monitoring Period, i.e. until the date of the event which resulted in the delisting of the Shares of the Company. The Beneficiaries will retain the right to receive a Financial Incentive, in accordance with the re-determination provided for herein.

In all cases where – prior to the expiration of the Performance Monitoring Period – there is a Change in Control, the Beneficiaries are recognised the right to continue their participation in the Plan, in accordance with the conditions of the Regulation and without prejudice to any potentially different contractual proposals that are implemented by the entity which acquires the control, or to request the liquidation of a Financial Incentive of 300 Points even if the Performance Monitoring Period has not yet expired and independently from the attainment of the Performance Objectives.

4.24. Compensation plans based on financial instruments

The attached Table pursuant to paragraph 4.24 of Form 7 of Attachment 3A of the Issuers' Regulation will be provided in detail at the time of admission of the Beneficiaries to the Plan and during the phase of implementation of the latter, in accordance with Article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.

Italmobiliare S.p.A.
Separate financial statements as at and for the year ended December 31, 2016



Financial statements

Statement of financial position

(euro)	Note	12.31.2016	12.31.2015	Change
Non-current assets				
Property, plant and equipment	1	3,669,266	3,712,503	(43,237)
Investment property	2	15,559,427	86,931	15,472,496
Intangible assets	3	18,449	16,728	1,721
Equity investments in subsidiaries and associates	4	279,126,091	204,565,320	74,560,771
Other equity investments	5	626,774,759	194,218,545	432,556,214
Deferred tax assets	6	11,059,958	17,392,072	(6,332,114)
Other non-current assets	7	90,283,292	8,932,620	81,350,672
Total non-current assets		**1,026,491,242**	**428,924,719**	**597,566,523**
Current assets				
Trade receivables	8	262,312	9,504,125	(9,241,813)
Other current assets including derivatives	9	9,058,829	2,474,995	6,583,834
Tax assets	10	696,182	1,489,962	(793,780)
Equity investments, bonds and loan assets	11	155,452,048	6,793,904	148,658,144
Cash and cash equivalents	12	146,830,430	1,445,440	145,384,990
Total current assets		**312,299,801**	**21,708,426**	**290,591,375**
Assets held for sale	4		**683,222,974**	(683,222,974)
Total assets		**1,338,791,043**	**1,133,856,119**	**204,934,924**
Equity				
Share capital	13	100,166,937	100,166,937	-
Share premium	14	177,191,252	177,191,252	-
Reserves	14	125,867,518	57,881,029	67,986,489
Treasury shares	15	(34,567,876)	(20,792,335)	(13,775,541)
Retained earnings	16	849,754,136	630,494,889	219,259,247
Total equity		**1,218,411,967**	**944,941,772**	**273,470,195**
Non-current liabilities				
Financial liabilities	18	7,112,280	20,000,000	(12,887,720)
Employee benefits	17	1,166,607	1,172,419	(5,812)
Fondi	19	51,920,000	10,100,000	41,820,000
Other non-current liabilities	20	1,000,632	1,817,224	(816,592)
Deferred tax liabilities	21	31,016,610	535,959	30,480,651
Total non-current liabilities		**92,216,129**	**33,625,602**	**58,590,527**
Current liabilities				
Bank loans and borrowings	18		130,494,784	(130,494,784)
Financial liabilities	18	407,741	1,749,102	(1,341,361)
Trade payables	22	2,287,719	4,550,577	(2,262,858)
Fondi		-	-	-
Tax liabilities		1,988,533	182,687	1,805,846
Other current liabilities	23	23,478,954	18,311,595	5,167,359
Total current liabilities		**28,162,947**	**155,288,745**	**(127,125,798)**
Total liabilities		**120,379,076**	**188,914,347**	**(68,535,271)**
Liabilities held for sale	4	-	-	-
Total equity and liabilities		**1,338,791,043**	**1,133,856,119**	**204,934,924**

Pursuant to Consob Resolution no. 15519 of July 27, 2006, the effects of transactions with related parties on the statement of financial position, the income statement and the statement of cash flows are set out in the relevant annexes.

Income statement

(euro)	Note	2016	%	2015	%	Change amount	%
Revenue		21,296,130		44,102,593		(22,806,463)	
Income from equity investments		762,999,058		5,498,616		757,500,442	
Income from distribution to shareholders		71,769,173		-		71,769,173	
Total revenue and income	24	**856,064,361**	**100.0**	**49,601,209**	**100.0**	**806,463,152**	**n.s.**
Other revenue	25	846,096		1,682,606		(836,510)	
Raw materials and supplies	26	(118,421)		(86,297)		(32,124)	
Services	27	(12,394,532)		(8,955,706)		(3,438,826)	
Personnel expenses	28	(28,046,624)		(17,075,471)		(10,971,153)	
Other operating income (expense)	29	(25,209,182)		(10,257,662)		(14,951,520)	
Gross operating profit		**791,141,698**	**92.4**	**14,908,679**	**30.1**	**776,233,019**	**n.s.**
Amortization and depreciation	30	(300,196)		(56,398)		(243,798)	
Operating profit		**790,841,502**	**92.4**	**14,852,281**	**29.9**	**775,989,221**	**n.s.**
Net finance costs	31	(45,811)		(26,314)		(19,497)	
Impairment losses on financial assets	32	(19,535,535)		(324,370)		(19,211,165)	
Profit before tax		**771,260,156**	**90.1**	**14,501,597**	**29.2**	**756,758,559**	**n.s.**
Income tax (expense)	33	(11,431,412)		5,021,598		(16,453,010)	
Profit for the year		**759,828,744**	**88.8**	**19,523,195**	**39.4**	**740,305,549**	**n.s.**

n.s.= not significant

Statement of comprehensive income

(euro)	Note	2016	2015	Change amount	%
Profit for the year		**759,828,744**	**19,523,195**	**740,305,549**	**n.s.**
Items that will not be reclassified to profit or loss subsequently					
Remeasurement of the net liability/asset for employee benefits		47,920	52,031	(4,111)	
Total items that will not be reclassified to profit or loss subsequently		**47,920**	**52,031**	**(4,111)**	
Items that might be reclassified to profit or loss subsequently					
Fair value gains (losses) on:					
Available-for-sale financial assets	5	93,922,999	26,810,212	67,112,787	
Income tax on other comprehensive income		(25,936,510)	429,600	(26,366,110)	
Total items that might be reclassified to profit or loss subsequently		**67,986,489**	**27,239,812**	**40,746,677**	
Total other comprehensive income		**68,034,409**	**27,291,843**	**40,742,566**	
TOTAL COMPREHENSIVE INCOME		**827,863,153**	**46,815,038**	**781,048,115**	**n.s.**

n.s. = not significant

Statement of changes in equity

(euro)	Share capital	Reserves				Treasury shares	Retained earnings	**Total equity**
		Share premium	AFS fair value reserve	Other reserves	Total reserves			
Balances at December 31, 2014	**100,166,937**	**177,191,252**	**18,587,321**	**12,053,896**	**207,832,469**	**(21,226,190)**	**622,556,672**	**909,329,888**
Profit for the year							19,523,195	**19,523,195**
Total other comprehensive income			27,239,812		27,239,812		52,031	27,291,843
Stock options								
Distribution of earnings:								
Dividends							(11,694,074)	(11,694,074)
Other changes						433,855	57,065	490,920
Balances at December 31,	**100,166,937**	**177,191,252**	**45,827,133**	**12,053,896**	**235,072,281**	**(20,792,335)**	**630,494,889**	**944,941,772**
Profit for the year							759,828,744	759,828,744
Total other comprehensive income			67,986,489		67,986,489		47,920	68,034,409
Distribution of earnings:								
Dividends							(16,330,137)	(16,330,137)
ecial dividend savings shareholders							(523,932,020)	(523,932,020)
Purchase of treasury shares						(14,848,975)		(14,848,975)
Other changes						1,073,434	(355,260)	718,174
Balances at December 31,	**100,166,937**	**177,191,252**	**113,813,622**	**12,053,896**	**303,058,770**	**(34,567,876)**	**849,754,136**	**1,218,411,967**

Statement of cash flows

(in thousands of euro)	Note	2016	2015
A) Cash flow from (used in) operating activities:			
Profit before tax		771,260	14,502
Amortization, depreciation and impairment losses		300	57
Net losses from the sale of securities, equity investments and PPE		(832,254)	(5,473)
Change in employee benefits and other provisions		41,781	4,724
Stock options			-
Reversal of impairment losses on financial assets		19,533	324
Reversal of net finance income/costs		1,448	(32,679)
Cash flow from (used in) operating activities before tax, finance income/costs and change in working capital		**2,068**	**(18,545)**
Change in trade receivables		9,242	(4,342)
Change in trade payables		(2,263)	2,378
Change in other receivables/payables, prepayments and accrued income,		(2,994)	6,546
Total change in working capital		**3,985**	**4,582**
Net finance costs paid		(7,943)	(1,628)
Dividends received		6,495	34,184
Net tax paid/refunds		582	-
Total A)		**5,187**	**18,593**
B) Cash flow from (used in) investing activities:			
Capital expenditure:			
investment property		(15,722)	(76)
assets		(9)	(16)
Financial assets (equity investments)		(541,693)	(15,974)
Change in payables for equity investment acquisitions			-
Total capital expenditure		**(557,424)**	**(16,066)**
Change in receivables from sale of non-current financial assets		-	-
Gains on sales of non-current assets		1,218,460	18,481
Total sales		**1,218,460**	**18,481**
Total B)		**661,036**	**2,415**
C) Cash flow from (used in) financing activities:			
Change in financial liabilities		(208,181)	(7,097)
Change in financial assets		(6,624)	(3,235)
Change in current equity investments		(148,658)	(32)
Change in treasury shares		(14,130)	491
Dividends paid		(143,245)	(11,694)
Total C)		**(520,838)**	**(21,567)**
D) Cash flows for the year (A+B+C)		**145,385**	**(559)**
E) Cash and cash equivalents at beginning of year		**1,445**	**2,004**
D+E) Cash and cash equivalents at end of year	**12**	**146,830**	**1,445**

Notes

The draft financial statements of Italmobiliare S.p.A. as at and for the year ended December 31, 2016 were approved by the Board of Directors on March 2, 2017. At the meeting, the Board authorized publication of a press release dated March 2, 2017, containing key information from the financial statements.
As required by IAS 10, attention is drawn to the fact that these financial statements may be amended by the shareholders in their meeting.
The financial statements have been drawn up on a going-concern basis. Despite the difficult economic and financial situation, Italmobiliare has no material uncertainties about its going-concern status, in part by virtue of its creditworthiness and solid financial structure.

Core businesses

Italmobiliare S.p.A. is a legal entity established in accordance with the laws of the Republic of Italy and listed on the Milan Stock Exchange since 1980. Its core business is the acquisition and management of equity investments in subsidiaries, associates or other companies.
Within this context, the company may conduct financial, trade, industrial and services transactions that it deems necessary and appropriate to achieve its corporate purposes.
The company also provides subsidiaries with administrative and technical services.

Accounting policies

These separate financial statements have been drawn up in compliance with the International Financial Reporting Standards (IFRS) applicable at December 31, 2016 as endorsed by the European Union, and with the provisions issued in implementation of article 9 of Legislative Decree no. 38/2005. The term IFRS also includes all revised international accounting standards (IAS) and all the interpretations issued by the IFRIC/SIC.
The Italian laws that enact EU directive 2013/34 also apply, where compatible, to companies that draw up financial statements in accordance with the IFRS. Consequently, the financial statements are compliant with the Italian Civil Code and the corresponding indications of the Consolidated Finance Act (TUF, *Testo Unico della Finanza*) for listed companies with regard to the directors' report, the legally-required audit and the publication of the financial statements. The separate financial statements and related notes also set out the details and additional disclosures required under the articles of the Italian Civil Code governing financial statements, since such requirements are not in conflict with the IFRS, and under other Consob regulations and dispositions governing financial statements.
In compliance with European Regulation no. 1606 of July 19, 2002, the policies adopted do not include the standards and interpretations published by the IASB and the IFRIC through December 31, 2016, that had not been endorsed by the European Union at that date.

Standards and interpretations that came into force in 2016

Since January 1, 2016, Italmobiliare S.p.A. has adopted the new standards and changes described below, including the changes arising therefrom applied to other standards.

- Amendments to IAS 19 "Employee benefits" with regard to "Defined benefit plans: employee contributions"; the amendments are designed to simplify and clarify accounting treatment of employee or third-party contributions relating to defined benefit plans.
- "Annual improvements cycle 2010-2012". The changes to IFRS 8 "Operating segments", IFRS 13 "Fair value measurement", IAS 16 "Property, plant and equipment", IAS 24 "Related party disclosures" and IAS 38 "Intangible assets" set out clarifications or corrections to the current texts. The changes to IFRS 2 "Share-based payment" and IFRS 3 "Business combinations" involve changes to current requirements or provide additional indications regarding application.

- Changes to IAS 1 “Presentation of financial statements” in connection with the “Disclosure initiative” to improve disclosure effectiveness and encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The changes to IAS 1 have necessitated adjustments to IAS 34 “Interim financial reporting” and IFRS 7 “Financial instruments: disclosures” to ensure consistency among the various standards.
- “Annual improvements cycle 2012-2014”. The changes to IFRS 5 “Non-current assets held for sale and discontinued operations”, the afore-mentioned IAS 34 and IFRS 7, IFRS 1 “First-time adoption of International Financial Reporting Standards” and IAS 19 are part of the normal rationalization measures designed to eliminate inconsistencies or provide terminological clarifications.
- Changes to IAS 27 “Separate financial statements” entitled “Equity method in separate financial statements” to permit application of the equity method to investments in subsidiaries, joint ventures and associates in separate financial statements. These changes, which also necessitated adjustments to IFRS 1 and IAS 28 “Investments in associates and joint ventures”, contain references to IFRS 9 “Financial instruments”, which currently cannot be applied since IFRS 9 has not yet been endorsed by the European Union. Consequently, any reference to IFRS 9 must be read as a reference to IAS 39 “Financial instruments: recognition and measurement”.
- Changes to IAS 16 “Property, plant and equipment” and IAS 41 “Agriculture” entitled “Agriculture: bearer plants” with related changes to a number of other standards.
- Amendments to IAS 16 and IAS 38 “Intangible assets” entitled “Clarification of acceptable methods of depreciation and amortization”, in which a method based on revenue is described as inappropriate.
- Amendments to IFRS 11 “Joint arrangements” concerning “Accounting for acquisitions of interests in joint operations”, with new indications regarding accounting treatment.
- Changes to IFRS 10 “Consolidated financial statements” with regard to the application of the consolidation exception for investment entities;
- Changes to IFRS 12 “Disclosure of interests in other entities”.

Application of the above standards, amendments and interpretations did not have a material impact on the separate financial statements.
As a result of the amendments to IAS 1 relating to the income statement, the intermediate result “recurring gross operating profit (loss)” is no longer shown. For comparative purposes, the expense and income items classified in the 2015 financial statements as “non-recurring” have been appropriately reclassified.

Standards and interpretations issued in 2016 to come into force in 2018

- IFRS 9 “Financial instruments”;
- IFRS 15 “Revenue from contracts with customers”.

IFRS 9 is expected to have material effects on the company. Projects are underway to determine the effects of these standards on the separate financial statements.

Standards and interpretations published by the IASB and the IFRIC at December 31, 2016, but not endorsed by the European Union at that date

- IFRS 14 "Regulatory deferral accounts", for which the European Commission has not yet begun the approval process, pending issue of the definitive standard.
- IFRS 16 "Leases".
- Changes to IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of interests in other entities" and IAS 28 with the title "Investment entities - applying the consolidation exception".
- Changes to IFRS 10 and IAS 28 with the title "Sale or contribution of assets between an investor and its associate or joint venture".
- Changes to IFRS 4 "Applying IFRS 9 financial instruments with IFRS 4 Insurance contracts".
- Changes to IAS 12 "Recognition of deferred tax assets for unrealized losses".
- Changes to IAS 7 "Disclosure initiative".
- Changes to IFRS 2 "Classification and measurement of share-based payment transactions".
- Changes to IAS 40 "Transfer of investment property".
- Annual improvements cycle to IFRS 2014-2016.
- IFRIC 22 "Foreign currency transactions and advance consideration".
- The above standards or changes are not expected to have a material impacts on the separate financial statements.

Measurement criteria and basis of presentation

The separate financial statements adopt the cost principle, with the exception of derivatives and financial assets held for trading or for sale, which are stated at fair value. The carrying amounts of hedged assets and liabilities are adjusted to reflect changes in fair value on the basis of the hedged risks. The financial statements are presented in euro. All amounts in the accounting schedules and in the notes are rounded to thousands of euro, unless otherwise specified.
The basis of presentation of Italmobiliare S.p.A.'s financial statements is as follows:

- current and non-current assets and current and non-current liabilities are presented as separate classifications on the face of the statement of financial position. Current assets, which include cash and cash equivalents, are assets that the company intends to realize, sell or consume during its normal business cycle; current liabilities are liabilities that the company expects to settle during the normal business cycle or in the twelve months after the end of the reporting period;
- on the income statement, costs are analyzed by nature;
- with regard to comprehensive income, the company presents two statements: the first statement reflects traditional income statement components and the profit (loss) for the year, while the second statement, beginning with the profit (loss) for the year, presents other comprehensive income (expense), previously reflected only in the statement of changes in equity: fair value gains/losses on available-for-sale financial assets and derivatives, translation differences. Items that might subsequently be reclassified to profit or loss are presented separately from those that will not be reclassified;
- on the statement of cash flows, the indirect method is used.

Use of estimates

The preparation of the financial statements and the notes in conformity with the IFRS requires management to make estimates that affect the values of assets, liabilities, income and expense, such as amortization and depreciation, and the disclosures on contingent assets and liabilities in the notes.
Since these estimates are determined on a going-concern basis, using the information available at the time, they could diverge from the actual future results. This is particularly evident in the present climate of financial and economic uncertainty, which could generate situations diverging from those estimated today and require currently unforeseeable adjustments, including adjustments of a material nature, to the carrying amounts of the items in question.
Assumptions and estimates are particularly sensitive with regard to measurement of non-current assets, which depends on forecasts of future results and cash flows, measurement of contingent liabilities, and provisions for disputes. Management conducts regular reviews of assumptions and estimates, and immediately recognizes any adjustments in the financial statements.
Since the Italmobiliare Group applies IAS 34 “Interim financial reporting” to its interim reports, with consequent identification of a six-month interim period, any impairment losses are recorded at period end.

Subsidiaries and associates

Subsidiaries are companies in which the company is exposed to variable returns, or holds rights to such returns, by virtue of its relationship with the companies in question, and simultaneously has the ability to affect such returns by exercising its power.
The company ascertains the existence of control on the basis of the existence of three elements:

- power: the current ability of the company, arising from substantial rights, to determine the key operations of operations that have a material impact on the company’s returns;
- the exposure of the company to the variability of the returns of the investee;
- correlation between power and returns, the company has the ability to exercise its power to affect the returns arising from the relationship.

Generally speaking, control is assumed to exist when the company holds, directly or indirectly, more than one half of voting rights, including potential voting rights deriving from convertible securities.

Associates are companies in which the company has significant influence over administrative and management decisions even though it does not hold control. Generally speaking, significant influence is assumed to exist when the company holds, directly or indirectly, at least 20% of voting rights at ordinary shareholders’ meetings, or, even if it holds a lower percentage of voting rights, when it is entitled to take part in financial and management policy decisions by virtue of a specific juridical status including, but not limited to, participation in shareholders’ agreements or other forms of material exercise of rights of governance.

Investments in subsidiaries and associates are measured using the cost method, whereby they are initially recognized at cost and subsequently adjusted to reflect changes in value whenever, after impairment testing, conditions are found such as to make it necessary to adjust the carrying amount to the effective value of the investment. Original cost is restored in subsequent periods if the grounds for the adjustments no longer exist. Impairment losses and reversals of impairment losses are recognized in profit or loss.

Business combinations

On first-time adoption of the IFRS, as allowed by IFRS 1, the company elected not to apply IFRS 3 retrospectively to business combinations that took place before January 1, 2004.
Until December 31, 2009, business combinations were accounted for using the purchase method provided for by IFRS 3.
Since January 1, 2010, business combinations have been accounted for using the acquisition method in provided for by IFRS 3 revised.

Cost of business combinations

Under IFRS 3 revised, acquisition cost is the sum of the acquisition-date fair value of the contingent consideration and the amount of any non-controlling interests in the acquired entity. For each business combination, any non-controlling interests in the acquired entity must be measured at fair value or in proportion to their interest in the identifiable net assets of the acquired entity.
IFRS 3 revised provides that costs relating to the acquisition be expensed in the periods in which they are incurred and the services are received.

Allocation of the cost of business combinations

Goodwill is measured as the positive difference between:

- the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquired entity, the acquisition-date fair value of the acquirer's previously held equity interest in the acquired entity, with respect to
- the net amount of identifiable assets acquired and liabilities assumed at the acquisition date.

Negative differences are recognized immediately in profit or loss.
If on initial recognition the acquisition cost of a business combination can only be determined provisionally, the allocated amounts are adjusted within twelve months of the acquisition date (measurement period).

Transactions in currencies other than the functional currency

Foreign currency transactions are initially translated into the functional currency using the exchange rate at the transaction date. At the end of the reporting period, foreign currency monetary assets and liabilities are translated into the functional currency at the closing rate. Exchange-rate gains and losses are taken to profit or loss.
Non-monetary foreign currency assets and liabilities measured at cost are translated at the exchange rate ruling at the transaction date; those measured at fair value are translated using the exchange rate at the date fair value was determined.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are recognized at cost, less accumulated depreciation and impairment losses. Cost includes the purchase or production cost and the directly attributable costs of bringing the asset to the location and the conditions required for its operation. Production cost includes the cost of materials and direct labor costs. Finance costs relating to the purchase, construction and production of qualifying assets are capitalized. The carrying amount of some assets existing at the IFRS first-time adoption date of January 1, 2005, reflects revaluations applied in prior years in connection with specific local laws, based on the real economic value of the assets in question. The revalued amount recognized in accordance with IFRS 1 was assumed as cost at the IFRS transition date.
Assets acquired through business combinations are stated at fair value, determined on a provisional basis at the acquisition date and subsequently adjusted where necessary within the following twelve months.

Subsequent to initial recognition, property, plant and equipment are carried at cost and depreciated over the asset's useful life, less any impairment losses.
Assets under construction are recognized at cost; depreciation begins when the assets enter useful life.
When an asset consists of components with a significant cost and different useful lives, initial recognition and subsequent measurement are carried out separately for each component.

Subsequent expense

Repair and maintenance expense is normally recognized as incurred. Component replacement costs are treated as separate assets and the carrying amount of the replaced component is eliminated with a balancing entry in profit or loss.

Depreciation

Depreciation is generally calculated on a straight-line basis over the estimated useful life of each component of property, plant and equipment assets. Land is recognized separately from buildings erected on it and is not depreciated.
Asset useful life determines the depreciation rate until a subsequent review of residual useful life. The useful life range adopted for the various categories of assets is disclosed in the notes.

Leases

The company has no finance leases.
The company leases are operating leases, where all risks and rewards incidental to ownership are retained by the lessor.
Operating lease payments are recognized as expense on a straight-line basis over the lease term.

Investment property

Investment property is land and/or buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of services. Investment property is initially recognized at purchase cost, including directly attributable costs. Subsequent to initial recognition, investment property is measured at amortized cost, based on the asset's useful life less any impairment losses.

Intangible assets

Intangible assets acquired separately are capitalized at cost, while those acquired through business combinations are recognized at fair value estimated on a provisional basis at the acquisition date and adjusted where necessary within the following twelve months.
Subsequent to initial recognition, intangible assets are carried at cost amortized over their useful life, less any impairment losses.
The company has not identified intangible assets with an indefinite useful life.

Impairment

Property, plant and equipment, investment property and amortizable intangible assets, are tested for impairment if indications of impairment emerge.
Investments in subsidiaries and associates are tested for impairment if indications of impairment emerge.
An impairment losses represent the difference between the asset carrying amount and its recoverable amount.
Recoverable amount is the greater of fair value, less costs to sell, of an asset and its value in use, determined as the present value of future cash flows.

Fair value less costs to sell is determined through application of suitable valuation models, adopting appropriate income multipliers, share prices quoted on an active market for similar enterprises, comparable transactions on similar assets or other available fair value indicators applicable to the assets being measured.

The discount rate is determined using the weighted average cost of capital method (WACC).

Reversals of impairment losses

If an impairment loss on an asset subsequently reverses in full or in part, the asset carrying amount is increased to reflect the new estimated recoverable amount, which may not exceed the amount that would have been reflected in the absence of the impairment loss. Impairment losses and reversals of impairment losses are taken to profit or loss.

Financial assets

All financial assets are recognized initially at cost at the trade date. Cost corresponds to fair value plus additional costs attributable to the purchase with the exception of financial assets held for trading (fair value through profit or loss).
Subsequent to initial recognition, assets held for trading are classified as current financial assets and carried at fair value; any gains or losses are taken to profit or loss.
Held-to-maturity investments are classified as current financial assets, if they mature within one year; otherwise they are classified as non-current assets and subsequently carried at amortized cost. Amortized cost is determined using the effective interest rate method, taking account of any acquisition discounts or premiums, which are apportioned over the entire period until maturity, less any impairment losses.
Other financial assets are classified as available for sale, under current and non-current assets, and recognized at fair value. Any gains or losses are shown in a separate equity item until the assets are sold, recovered or discontinued, or until they are found to be impaired, in which case the cumulative gains or losses in equity are taken to profit or loss. Impairment losses are recognized when there is objective evidence that one or more events subsequent to initial recognition of an asset have had a negative effect on the estimated future cash flows of that asset. For a financial asset, objective evidence of impairment includes debtor insolvency or default, indications of debtor or issuer bankruptcy, adverse changes in the payment status of debtors or issuers, business conditions linked to default or disappearance of an active market for the asset. In addition, for equity instruments classified as available-for-sale, a material and prolonged reduction in fair value to below cost is considered an objective evidence of impairment. On this question, Italmobiliare S.p.A. has adopted a specific accounting policy, which establishes materiality and duration thresholds for loss of stock market value with respect to the carrying amounts; once such thresholds have been reached, the impairment loss is taken to profit or loss. The two thresholds are considered separately and only one threshold needs to be reached for an impairment loss to be recognized:

- loss of market value of more than 60% for bank stocks (35% for non-bank stocks) of the original cost at the reporting date;
- a market value seen to be continually lower than original cost over a period of three years for bank stocks (two years for non-bank stocks).

With regard to assets on which impairment losses were recognized in previous periods, additional losses of value are automatically recognized as impairment losses.
Subsequent reversals of impairment losses on available-for-sale assets recognized in profit or loss are not taken to profit or loss but to equity, even in cases where the reasons that caused the loss no longer exist.
Only equity instruments that are not listed on an active market and whose fair value cannot be measured reliably are carried at cost.

Treasury shares

Treasury shares are deducted against equity. The original cost of treasury shares and gains arising from any subsequent sales are treated as movements in equity.

Trade receivables and other non-current assets

Trade receivables and other non-current assets are initially recognized at fair value, and subsequently measured at amortized cost less allowances for impairment, which are provided as soon as bad debts are identified.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, checks, bank demand deposits and other treasury investments with original maturity of not more than three months.
The definition of cash and cash equivalents in the statement of cash flows is identical to that in the statement of financial position.

Derecognition of financial assets

The company derecognizes financial assets in whole or in part when:
- the contractual rights attributable to the assets in question have expired;
- it transfers the risks and rewards incidental to ownership of the asset or does not transfer and does not even substantially maintain all the risks and rewards but transfers control of the assets.

Employee benefits

The company operates pension plans, post-employment medical benefit plans and post-employment benefits.
It also has other commitments, in the form of bonuses payable to employees on the basis of length of service ("Other long-term benefits").

Defined contribution plans

Defined contribution plans are structured post-employment benefit programs where the company pays fixed contributions to an insurance company or pension fund and will have no legal or constructive obligation to pay further contributions if the fund does not dispose of sufficient assets to pay all the employee benefits accruing in respect of services rendered during the current year and in previous years.
These contributions are paid in exchange for the services rendered by employees and recognized as an expense as incurred.

Defined benefit plans

Defined benefit plans are structured post-employment benefit programs that constitute a future obligation for the company. In substance, the company assumes the actuarial and investment risks of the plan. In accordance with IAS 19, the company uses the unit credit projection method to determine the present value of obligations and the related current service cost.
These actuarial calculations require use of consistent and objective actuarial assumptions about demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increases in salaries and medical benefits).
When a defined benefit plan is funded in full or in part by contributions paid to a fund that is a separate legal entity or to an insurance company, the plan assets are estimated at fair value.
Benefit obligations are therefore recognized net of the fair value of the plan assets that will be used to settle the obligations.

Employment termination plans

Employment termination plans include provisions for restructuring costs recognized when the company has approved a detailed formal plan that has already been implemented or notified to the third parties concerned.

Actuarial gains and losses

Actuarial gains and losses on post-employment defined benefit plans may arise as a result of changes in the actuarial assumptions used in two consecutive years or as a result of changes in the obligation value or in the fair value of any plan asset in respect of the actuarial assumptions used at the beginning of the year.

Actuarial gains and losses are recognized immediately under other comprehensive income (expense).
Actuarial gains and losses relating to “Other long-term benefits” (service medals, length of service benefits) and to early retirement benefits are recognized in profit or loss immediately.

Past service cost

Changes in liabilities resulting from a change to an existing defined benefit plan are recognized in profit or loss, as are costs for benefits that vest immediately upon changes to a plan.

Curtailment and settlement

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized as income or expense when the curtailment or settlement occurs. The gain or loss includes changes in the present value of the obligation, changes in the fair value of plan assets, actuarial gains or losses and past service costs not previously accounted for.
At the curtailment or settlement date, the obligation and the fair value of the plan assets are re-measured using current actuarial assumptions.

Net finance costs

Net finance costs on defined benefit plans consists of the following measurements:
- finance costs computed on the present value of the defined benefit plan liability;
- finance income arising from measurement of the plan assets;
- finance costs or income arising from any limits on recognition of plan surpluses.

Net finance costs are determined by applying to all the above items the discount rate adopted at the beginning of the year to measure the defined benefit plan obligation.
Net finance costs on defined benefit plans are recognized under finance income/costs on the income statement.

Share-based payments

The company has applied IFRS 2 since January 1, 2004.
Options for the subscription and purchase of shares granted by the company to employees and directors give rise to recognition of a cost classified under personnel expenses, with a corresponding increase in equity.
In accordance with IFRS 2, only options granted after November 7, 2002, whose rights had not vested at December 31, 2003, have been measured and recognized at the transition date. Options for the subscription and purchase of shares are measured at fair value at the grant date and amortized over the vesting period. Fair value at the grant date is determined using the binomial method, and taking account of dividends. Future volatility is determined on the basis of historic market prices, after adjustment for extraordinary events or factors.
The cost of granted options is reviewed on the basis of the actual number of options that have vested at the beginning of the exercise period.

Provisions

The company recognizes provisions when a present or constructive obligation arises as a result of a past event, the amount of which can be reliably estimated, and use of resources is probable to settle the obligation.
Provisions reflect the best estimate of the amount required to settle the obligation or transfer it to third parties at the reporting date. If the present value of the financial resources that will be used is measurable and material, provisions are determined by discounting expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is performed, movements in provisions due to the effect of time or changes in interest rates are recognized as financial items.
Changes in estimates are recognized in profit or loss for the year in which the change occurs.

Bank loans and borrowings

Bank loans and borrowings are initially recognized at the fair value of the consideration paid/received less charges directly attributable to the financial asset/liability.
After initial recognition, bank loans and borrowings are measured at amortized cost using the effective interest-rate method.

Trade payables and other payables

Trade payables and other payables are stated initially at the fair value of the original consideration received and subsequently measured at amortized cost.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits associated with the sale of goods or rendering of services are collected by the company and the amount in question can be reliably determined.
Revenue is recognized at the fair value of the consideration received or due, taking account of any discounts given.
Revenue from the sale of goods is recognized when the company transfers the material risks and rewards incidental to ownership of the goods to the purchaser.
Revenue includes dividends received, and interest and commission income.
Dividends are recognized as shareholders' right to receive payment arises, in accordance with local laws.

Rental income

Rental income is recognized as other revenue, as received, at constant amounts over the period of the lease.

Costs

Costs are recognized on an accruals basis in accordance with the cost and revenue matching principle, whereby they are matched with revenue.

Derivatives

The company uses derivatives such as options on securities and futures to manage market risks. Derivatives are measured and recognized at fair value; fair value gains or losses are taken to profit or loss, since the derivatives in question do not qualify for hedge accounting, even though they are arranged in some cases for hedging purposes.

Income taxes

Current income taxes are provided in accordance with local tax laws.
Deferred tax is recognized on the basis of temporary differences between the tax base of assets and liabilities and their carrying amount in the statement of financial position.
Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax assets, to the extent that it is probable that future taxable income will be available against which such differences, losses or assets may be reversed.
Deferred tax assets are reviewed at each reporting date and reduced to the extent that sufficient taxable income is no longer likely to be available in the future against which the assets can be used in full or in part.
Deferred tax assets and liabilities are determined at tax rates expected to apply when the deferred tax asset (liability) is realized (settled), based on rates that have been enacted or substantially enacted at the reporting date.
Taxes relating to items recognized directly in equity are recognized in equity, not in profit or loss.

Assets

Non-current assets

1) Property, plant and equipment

At December 31, 2016 and at December 31, 2015, property, plant and equipment totaled respectively 3,670 thousand euro and 3,713 thousand euro; the movements on the caption are set out below:

(in thousands of euro)	Land and buildings	Plant and machinery	Office furniture and equipment	Motor vehicles	Total
Gross amount	4,425	634	966	87	6,112
Accumulated depreciation	(967)	(524)	(882)	(26)	(2,399)
Carrying amount at December 31, 2015	**3,458**	**110**	**84**	**61**	**3,713**
Additions		2	6		8
Decreases			(14)	(8)	(22)
Depreciation		(27)	(5)	(19)	(51)
Use of accumulated depreciation			14	8	22
Carrying amount at December 31, 2016	**3,458**	**85**	**85**	**42**	**3,670**
Gross amount	4,425	636	958	79	6,098
Accumulated depreciation	(967)	(551)	(873)	(37)	(2,428)
Carrying amount at December 31, 2016	**3,458**	**85**	**85**	**42**	**3,670**

The useful lives adopted by the company for the main asset categories are as follows:
- Plant and machinery 5 – 10 years
- Other property, plant and equipment 4 – 8 years

2) Investment property

Investment property of 15,559 thousand euro (87 thousand euro at December 31, 2015) is measured at cost; the increase was largely due to the purchase of some properties in Rome from Italcementi S.p.A..
The fair value of investment property at December 31, 2016 was 17.2 million euro and was determined on the basis of appraisals by independent experts.

(in thousands of euro)	**Investment property**
Gross amount	133
Accumulated depreciation	(46)
Carrying amount at December 31, 2015	**87**
Additions	15,714
Decreases	
Depreciation	(242)
Carrying amount at December 31, 2016	**15,559**
Gross amount	15,847
Accumulated depreciation	(288)
Carrying amount at December 31, 2016	**15,559**

Investment property is depreciated at an annual rate of 3%, which reflects its residual useful life.

3) Intangible assets

Intangible assets consist of investments in administrative software applications.

(in thousands of euro)	**Licenses and various rights**	**Total**
Gross amount	256	256
Accumulated amortization	(239)	(239)
Carrying amount at December 31, 2015	**17**	**17**
Additions	8	8
Decreases		
Amortization	(7)	(7)
Carrying amount at December 31, 2016	**18**	**18**
Gross amount	264	264
Accumulated amortization	(246)	(246)
Carrying amount at December 31, 2016	**18**	**18**

4) Investments in subsidiaries and associates

See the specific IFRS 7 section.

5) Other equity investments

See the specific IFRS 7 section.

6) Deferred tax assets

Deferred tax assets amounted to 11,060 thousand euro (17,392 thousand euro at December 31, 2015) and consisted of amounts calculated on the tax losses posted by Italmobiliare S.p.A. and the subsidiaries that adopted the Italian tax consolidation system. The assets were recognized in relation to a forecast made by the companies that adopted the Italian tax consolidation system, which considers likely that in future years taxable income will be realized against which the past tax losses can be utilized.

The main temporary differences excluded from the determination of deferred tax assets and liabilities are as follows:

(in thousands of euro)	2016 Amount	Tax effect	2015 Amount	Tax effect
Provision for risks	51,920	-	10,100	-

Deferred tax assets have not been recorded since it is not expected that the existing provisions can be reversed over a reasonably predictable timeframe.
Tax losses for which deferred tax assets have not been recorded amounted to 57 million euro.

7) Other non-current assets

See the specific IFRS 7 section.

Current assets

8) Trade receivables

See the specific IFRS 7 section.

9) Other current assets including derivatives

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Amounts due from employees	8	4	4
Amounts due from social security authorities	261	13	248
Other current amounts due	883	1,145	(262)
Options on securities (HeidelbergCement)	7,793		7,793
Options on securities (Mediobanca)		1,169	(1,169)
Prepaid expenses v/subsidiaries		6	(6)
Other prepaid expenses	99	27	72
Prepayments to others	15	111	(96)
Total	**9,059**	**2,475**	**6,584**

The increase arose largely from sale collars arranged on HeidelbergCement AG securities (+ 7,793 thousand euro) net of the decrease for the sale of options on Mediobanca securities (-1,169 thousand euro).

10) Tax assets

Tax assets totaled 696 thousand euro (1,490 thousand euro at December 31, 2015). The decrease arose from the partial reimbursement of 2004 group IRAP.

11) Equity investments, bonds and loan assets

See the specific IFRS 7 section.

12) Cash and cash equivalents

See the specific IFRS 7 section.

Equity and liabilities

Share capital, reserves and retained earnings

13) Share capital

At December 31, 2016, the parent's fully paid-up share capital amounted to 100,166,937 euro represented by 23,816,900 no par shares, after the mandatory conversion of the 16,343,162 savings shares into 1,634,317 ordinary shares approved by the shareholders on August 4, 2016.

Number of shares	December 31, 2016	December 31, 2015	Change
Ordinary shares	23,816,900	22,182,583	1,634,317
Savings shares		16,343,162	(16,343,162)
Total	**23,816,900**	**38,525,745**	**(14,708,845)**

14) Share premium and other reserves

At December 31, 2016, reserves totaled 303,058 thousand euro, an overall increase of 67,986 thousand euro from December 31, 2015 generated by a rise in available-for-sale financial assets, net of the impact of deferred tax.

15) Treasury shares

At December 31, 2016, the cost of treasury share buy-backs totaled 34,567 thousand euro, deducted against equity. Treasury shares were as follows:

	no. ordinary shares	Carrying amount (000 euro)
December 31, 2016	**874,014**	**34,567**

After the decision of the Italmobiliare S.p.A. shareholders of August 4, 2016 and in compliance with the shareholders' resolution of April 21, 2016 with specific regard to national and community laws on treasury share buy-backs, the company purchased savings treasury shares for 14.8 million euro. The 478,937 savings treasury shares held at the mandatory conversion date were converted into ordinary shares, after collection of the extraordinary dividend was waived.
A total of 211,345 ordinary treasury shares were held in portfolio at December 31, 2016, to service stock option plans for directors and managers.

Dividends paid

Ordinary dividends declared and paid in 2016 and 2015 are detailed in the table below:

	2016 (euro per share)	2015 (euro per share)	December 31, 2016 (000 euro)	December 31, 2015 (000 euro)
Ordinary shares	0.400	0.250	8,532	5,331
Savings shares	0.478	0.390	7,799	6,363
Total dividends			**16,331**	**11,694**

Furthermore, a special dividend of 523,931 thousand euro was distributed during the year to the savings shareholders, in part in cash (80 euro to each group of 10 savings shares) and in part in kind (3 HeidelbergCement AG shares to each group of 10 savings shares);

16) Retained earnings

The overall change of 219,259 thousand euro arose from the 2016 profit for the year for 759,829 thousand euro, from the adjustment of assets/liabilities for employee benefits for 47 thousand euro, from the sale of treasury shares on exercise of stock options for 355 thousand euro, from the payment of ordinary dividends for 16,331 thousand euro and from the payment of special dividends for 523,931 thousand euro.

Non-current liabilities

17) Employee benefits

This caption includes post-employment benefits in accordance with IAS 19 and liabilities relating to future commitments, in the form of bonuses or incentives, to be paid to employees.

Movements on the caption are detailed below:

(in thousands of euro)	Post-employment benefits	Long-service bonus	Total
At December 31, 2015	1,151	21	**1,172**
Utilization during year	(1,771)	-	**(1,771)**
Provision for year	1,685	80	**1,765**
At December 31, 2016	**1,065**	**101**	**1,166**

Expense for the year included:

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Current cost of services	(53)	(71)	18
Finance costs	(23)	(16)	(7)
Total	**(76)**	**(87)**	**11**

The assumptions used to determine liabilities arising from long-term benefits are set out below:

	Provision for post-employment benefits	Other employee benefits
Discount rate	1.50%	1.50%
Future wage and salary increases	3.00%	3.00%
Inflation	1.25%	1.25%

Stock options

The company has arranged stock option plans for directors and managers who hold special posts.
Stock options refer to ordinary shares; the characteristics of stock option plans are illustrated in the directors' report, in the sections on Corporate Governance and Stock Option Plans.
Stock options are exercised at a rate of 1 share per option.

The terms and conditions of Italmobiliare S.p.A. stock option plans at December 31, 2016, are set out below:

Grant date	no. of options granted	Exercise period	Exercised options	Canceled options	Unexercised options	Unit subscription price
March 21, 2007	122,479	3/21/2010-03/20/2017			122,479	€ 86.0685
March 28, 2008	124,200	03/28/2011-03/27/2018			124,200	€ 59.9080
March 25, 2009	19,350	03/25/2012-03/24/2019	9,600		9,750	€ 20.5260
March 24, 2010	124,385	03/24/2013-03/23/2020	23,190		101,195	€ 28.8340
March 30, 2011	112,900	03/30/2014-03/30/2021	12,500		100,400	€ 27.4690
Total	**503,314**		**45,290**	**-**	**458,024**	

The grant date is the date of the Board of Directors' meeting that approved the stock option plan.

The table below sets out the number and average exercise price of stock options in the years in question:

	12.31.2016		12.31.2015	
(in thousands of euro)	Number of Options	Average sub-scription price	Number of Options	Average sub-scription price
Unexercised options at beginning of year	**595,044**	**€ 53.4390**	**721,631**	**€ 52.9357**
Granted during year				
Canceled during year				
Exercised during year	(27,140)		(18,150)	
Expired during year	(109,880)		(108,437)	
Unexercised options at end of year	**458,024**	**€ 51.4477**	**595,044**	**€ 53.4390**
Vested options at end of year	**458,024**		**595,044**	

The average ordinary share price in 2016 was 39.207 euro (32.244 euro in 2015).
The average residual life of unexercised options is 1 year and 1 month.
The option exercise price at December 31, 2016 was between 20.526 euro and 86.0685 euro.
Only options granted after November 7, 2002, that had not vested at December 31, 2003, were measured and recognized at the date of transition to the IFRS.

Stock option plan fair value at the grant date is estimated using a binomial model that takes dividends into account. The total option term is ten years. Volatility projections assume that past volatility, computed as the annual average on a past period of three years net of non-recurring events, is indicative of future trends.

The following table sets out the assumptions used and results obtained in measuring stock options relating to the last five plans among those that are still exercisable:

	2010 Plan	2009 Plan	2008 Plan	2007 Plan	2006 Plan
Option value at grant date	8.813	9.28	3.78	17.21	23.64
Share value	28.4	31.1	21.59	65.1	87.41
Exercise price	27.469	28.834	20.526	59.908	86.068
Volatility in %	26.2%	24.3%	25.0%	17.5%	17.5%
Option term (years)	10	10	10	10	9.75
Dividends in %	3.01%	2.75%	7.41%	2.23%	1.45%
10-year BTP risk-free rate	4.775%	3.920%	4.485%	3.889%	3.652%

18) Financial liabilities

See the specific IFRS 7 section.

19) Provisions

Provisions amounted to 51,920 thousand euro at December 31, 2016. The change of 41,820 thousand euro with respect to December 31, 2015 arose from an increase in the provision for risks relating to contractual and tax disputes on which a future outlay is deemed probable.

(in thousands of euro)	Opening amount	Additions	Decreases	Closing amount
Provisions	10,100	41,820	0	51,920

20) Other non-current liabilities

The decrease was largely due to Group IRAP tax reimbursements to some subsidiaries that were eliminated from the scope of consolidation (704 thousand euro).

21) Deferred tax liabilities

Total deferred tax liabilities amounted to 31,017 thousand euro (536 thousand euro at December 31, 2015), as follows:

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Deferred tax - available-for-sale shares	28,163	536	27,627
Deferred tax - available-for-sale bonds	2,854	-	2,854
Total	**31,017**	**536**	**30,481**

The increase arose mainly from the difference between the carrying amount and fair value at the reporting date of the HeidelbergCement AG shares in portfolio (27,955 thousand euro).

Current liabilities

22) Trade payables

See the specific IFRS 7 section.

23) Other current liabilities

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Due to employees	7,440	12,967	(5,527)
Due to social security authorities	907	542	365
Due to tax authorities	1,368	727	641
Accrued expenses and deferred income	222	142	80
Other liabilities	2,935	2,254	681
Options on securities (Mediobanca)	-	1,679	(1,679)
Options on securities (HeidelbergCement)	10,606	-	10,606
Total	**23,478**	**18,311**	**5,167**

Commitments

(in thousands of euro)	December 31, 2016	December 31, 2015
Collateral given	-	6,684
Deposits, guarantees, sureties, commitments and other	202,100	120,090
Total	**202,100**	**126,774**

The decrease in collateral given with respect to December 31, 2015 arose from the conclusion of assignment of listed stocks to third-party counterparties in connection with current loans.

Total sureties provided are carried at fair value at the reporting date.

The increase in the second item refers to new guarantees provided by Italmobiliare S.p.A. with respect to companies previously controlled by Italcementi S.p.A. and to guarantees provided to subsidiaries in connection with the ongoing proceeding with the European Commission on breaches of competition laws.

Commitments include a residual amount of 50.9 million euro for subscription of private equity funds.

Income statement

24) Revenue and income

Revenue from sales and services and income totaled 856,064 thousand euro, as follows:

(in thousands of euro)	2016	2015	Change	% change
Revenue from dividends, interest income and services provided	21,296	44,102	(22,806)	-51.7%
Income from equity investments	762,999	5,499	757,500	n.s.
Income from distribution to shareholders	71,769		71,769	n.s.
Total	**856,064**	**49,601**	**806,463**	**n.s.**

n.s.= not significant

The breakdown of the various items was as follows:

Revenue from dividends:

(in thousands of euro)	2016	2015	Change	% change
Subsidiaries				
Italcementi S.p.A.	-	14,145	(14,145)	-100.0%
Franco Tosi S.r.l.	-	15,000	(15,000)	-100.0%
Total	**-**	**29,145**	**(29,145)**	**-100.0%**
Associates				
Total				
Other companies				
Banca Popolare di Milano Soc.Coop a r.l.	321	-	321	100.0%
Compagnia Fiduciaria Nazionale S.p.A.	130	-	130	100.0%
Emittenti Titoli S.p.A.	1,576	184	1,392	n.s.
Fin.Priv. S.r.l.	554	513	41	8.0%
Banca Leonardo S.p.A. group	114	-	114	100.0%
Mediobanca S.p.A.	2,989	3,375	(386)	-11.4%
Unicredit S.p.A.	811	967	(156)	-16.1%
Total	**6,495**	**5,039**	**1,456**	**28.9%**
Grand total	**6,495**	**34,184**	**(27,689)**	**-81.0%**

n.s.= not significant

Interest income:

(in thousands of euro)	2016	2015	Change	% change
Interest and finance income from subsidiaries	17	13	4	30.8%
Interest on securities and bonds	707	495	212	42.8%
Bank interest income	91	-	91	100.0%
Commissions and other income	39	-	39	100.0%
Options on securities	510	1,169	(659)	-56.4%
Total	**1,364**	**1,677**	**(313)**	**-18.7%**

Revenue from services provided amounted to 13,437 thousand euro (8,241 thousand euro in 2015).

Capital gains on equity investments and securities:

(in thousands of euro)	2016	2015	Change	% change
From sale available-for-sale equity investments				
Italcementi S.p.A.	754,545	-	754,545	100.0%
Intesa SanPaolo S.p.A.	625	-	625	100.0%
Mediobanca S.p.A.	5,729	-	5,729	100.0%
RCS Mediagroup S.p.A.	364	1,472	(1,108)	-75.3%
Unicredit S.p.A.	1,599	3,973	(2,374)	-59.8%
Total	**762,862**	**5,445**	**757,417**	**n.s.**
From fair value measurement trading securities				
Mutual funds	137	52	85	n.s.
Mittel fixed rate 6% 07/12/2019		2	(2)	-100.0%
Total	**137**	**54**	**83**	**n.s.**
Grand total	**762,999**	**5,499**	**757,500**	**n.s.**

n.s.= not significant

Income from distribution to shareholders refers to the gain arising from the distribution of the special in-kind dividend (HeidelbergCement AG shares).

25) Other revenue and income

Other revenue and income amounted to 846 thousand euro (1,683 thousand euro in 2015) and included rents and recovery of condominium expenses for 385 thousand euro, directors’ pensions for 271 thousand euro, other income for 140 thousand euro and prior year income for 50 thousand euro.

26) Raw materials and supplies

Expense for raw materials and supplies amounted to 118 thousand euro, as follows:

(in thousands of euro)	2016	2015	Change	% change
Materials and machinery	17	1	16	n.s.
Other materials	47	29	18	62.1%
Electricity and gas	54	56	(2)	-3.6%
Total	**118**	**86**	**32**	**37.2%**

n.s.= not significant

27) Services

Expense for services amounted to 12,394 thousand euro, as follows:

(in thousands of euro)	2016	2015	Change	% change
Legal fees, consultancy and statutory auditor fees	10,731	7,648	3,083	40.3%
Rents and fees for use of third-party assets	126	83	43	51.8%
Insurance	871	804	67	8.3%
Lease payments and expense of civil buildings	109	109	-	
Maintenance and repairs	84	90	(6)	-6.7%
Subscriptions	110	90	20	22.2%
Communication and entertainment	126	34	92	n.s.
Post and telephone	40	18	22	n.s.
Cleaning	49	40	9	22.5%
Other expense and residual services	148	40	108	n.s.
Total	**12,394**	**8,956**	**3,438**	**38.4%**

n.s.= not significant

Legal fees and consultancy includes expense of 2,573 thousand euro relating to the project for the sale of the subsidiary Italcementi S.p.A. to HeidelbergCement AG, expense of 4,623 thousand euro relating to the project for the simplification of capital and amounts totaling 182 thousand euro to the Board of Statutory Auditors.

28) Personnel expenses

Personnel expenses totaled 28,046 thousand euro, as follows:

(in thousands of euro)	2016	2015	Change	% change
Wages and salaries	19,409	11,754	7,655	65.1%
Social security contributions	4,761	2,696	2,065	76.6%
Provisions and contributions to pension funds	1,613	469	1,144	n.s.
Directors' remuneration	2,231	2,126	105	4.9%
Other miscellaneous expense	32	30	2	6.7%
Total	**28,046**	**17,075**	**10,971**	**64.3%**

n.s.= not significant

The increase in personnel expenses arose on the sale of Italcementi S.p.A. to HeidelbergCement AG.
The increased costs was recovered in full from Italcementi S.p.A..
The number of employees is shown below:

(headcount)	2016	2015
Number of employees at year end	34	22
Average number of employees	28.00	23.50

29) Other operating expense

Other operating expense net amounted to 25,209 thousand euro, as follows:

(in thousands of euro)	2016	2015	Change	% change
Finance costs				
Interest on short-term loans and borrowings	56	535	(479)	-89.5%
Interest on medium/long-term loans and borrowings	83	382	(299)	-78.3%
Current account and financial interest expense due to subsidiaries	31	1	30	n.s.
Commissions	165	281	(116)	-41.3%
Costs for interest-rate hedging	-	3	(3)	-100.0%
Costs for exchange-rate hedging	-	283	(283)	-100.0%
Options on indices	298	-	298	100.0%
Options on securities	8,641	1,679	6,962	n.s.
Other expense	33	18	15	83.3%
Total	**9,307**	**3,182**	**6,125**	**n.s.**
Losses on sales of assets and impairment losses				
Sale Coima Res S.p.A.	294	-	294	100.0%
Sale Banca Popolare di Milano	2,158	-	2,158	100.0%
Sale Ubi Banca	25	-	25	100.0%
Sale Pictet mutual funds	15	-	15	100.0%
Impairment loss on Mittel fixed rate 6%	19	-	19	100.0%
Impairment loss on Atmos S.p.A. winding up	-	4	(4)	-100.0%
Impairment loss on index-linked ETFs	3	22	(19)	-86.4%
Total	**2,514**	**26**	**2,488**	**n.s.**
Other expense and income				
Condominium expenses on own buildings	133	140	(7)	-5.0%
Other operating expense	121	33	88	n.s.
Non-deductible VAT	5,655	1,425	4,230	n.s.
IMU tax	186	96	90	93.8%
Registration tax	6	4	2	50.0%
Other taxes	154	73	81	n.s.
Non-recurring expense	91	62	29	46.8%
Non-recurring income	(394)	-	(394)	100.0%
Other expense and income	136	225	(89)	-39.6%
Fondazione Italcementi Ing. Carlo Pesenti	900	300	600	n.s.
Total	**6,988**	**2,358**	**4,630**	**n.s.**
Release/additions provision for risks				
Release provision for risks	-	(2,808)	2,808	-100.0%
Additions provision for risks	6,400	7,500	(1,100)	-14.7%
Total	**6,400**	**4,692**	**1,708**	**36.4%**
Total other operating income/expense	**25,209**	**10,258**	**14,951**	**n.s.**

n.s. = not significant

With the elimination of the intermediate caption “non-recurring gross operating profit”, other income and expense classified as non-recurring in 2015, and totaling 4,992 thousand euro, have been reclassified under this heading.

30) Amortization and depreciation

The overall amount of 300 thousand euro (56 thousand euro in 2015) reflects depreciation of property, plant and equipment for 293 thousand euro (53 thousand euro in 2015) and amortization of intangible assets for 7 thousand euro (3 thousand euro in 2015).

31) Net finance costs

Net finance costs amounted to 46 thousand euro, as follows:

(in thousands of euro)	2016	2015	Change	% change
Financial services	67	31	36	n.s.
Miscellaneous finance costs (income)	(21)	(5)	(16)	n.s.
Total	**46**	**26**	**20**	**76.9%**

n.s. = not significant

32) Impairment losses on financial assets

The impairment losses of 19,536 thousand euro (324 thousand euro in 2015) largely refer to the following equity investments: UniCredit S.p.A. (7,038 thousand euro), Società Editrice SS Alessandro Ambrogio Bassiano S.p.A. (Sesaab 4,545 thousand euro), Banca Leonardo S.p.A. group (2,498 thousand euro), Unicredit Cashes (2,475 thousand euro).

33) Income tax (expense)

This caption reflects expense of 11,431 thousand euro, as follows:

(in thousands of euro)	2016	2015	Change	% change
Current tax	(1,989)	-	(1,989)	100.00
Deferred tax	(10,207)	4,829	(15,036)	n.s.
Cancellation fines 2007 TRES transactions	183	-	183	100.0%
2015 IRES tax benefit 2016 "Modello unico" tax return form	582	-	582	100.0%
Prior-year tax	-	192	(192)	-100.0%
Total	**(11,431)**	**5,021**	**(16,452)**	**n.s.**

n.s. = not significant

The change in “Deferred tax” was largely due to the use of deferred tax assets recognized in previous years.

IFRS 7

Risk management policies

Introduction

The document “Financial Resources Management Regulation” (the “Regulation”) sets out general strategic guidelines and investment limits governing management of Italmobiliare S.p.A. resources.

Objectives

For Italmobiliare S.p.A., exposure to financial risk is an opportunity to generate profits within the limits established for the purpose of ensuring prudent management of resources.

Financial instruments

The Regulation defines the types of financial instrument allowed, maximum amounts, counterparties and methods of approval.
Derivatives may be used both as risk management instruments and as instruments relating to market positioning. The Regulation is particularly restrictive with regard to the types of transaction allowed and approval and control processes.

Financial risk management

Credit risk

Italmobiliare S.p.A. is exposed to credit risk with respect to issuers of financial instruments and counterparties on financial transactions.
The Regulation establishes minimum rating levels for individual investments (where applicable), for type of instrument, for rating class and maximum exposure in relation to individual counterparties.
The Regulation sets out management procedures for approving amounts in excess of such limits. A monitoring and reporting system has also been established.
Italmobiliare S.p.A. has no significant exposure to trade credit risks.

The table below illustrates the level of credit risk exposure for each instrument (bonds, deposits, other financial assets) and with respect to the counterparties to derivatives.

	Fair value (in millions of euro)	**Average rating**	**Residual average life** (in years) (*)
Trading bonds	0.7	n.a.	2.50
Available-for-sale bonds	52.4	Aaa	<1
Deposits	146.7	n.a.	n.a.
Other financial assets	0.7	n.a.	n.a.
Derivatives and repurchase agreements	47.2	n.a.	<1

(*) determined on first call

n.a.= not applicable

Assuming a parallel shift of +100 bp in the credit curve, the estimated overall change in the fair value of financial instruments would be -0.24 million euro, of which -0.17 million euro on the statement of financial position and 0.07 million euro on the income statement.
Deposits are subject to counterparty risk, but a +100 bp shift in the curve would not have an impact on the amount thereof.
Other financial assets and derivatives are excluded from the sensitivity analysis since their fair value does not depend on the creditworthiness of the counterparty.

Liquidity risk

The Italmobiliare S.p.A. risk management objective is to establish a liability management policy that satisfies funding requirements over time and minimizes opportunity cost.
A regular report is drawn up analyzing the net financial position trend and risks.
The table below shows the net financial position by maturity (residual life) compared with undrawn lines of credit:

	Maturity				
(in millions of euro)	**< 1 year**	**1 - 2 years**	**2 - 5 years**	**Beyond**	**Total**
Total financial liabilities	(11.0)	(7.1)			**(18.1)**
Total financial assets	256.8		1.1	77.2	**335.1**
Net financial position (debt)	**245.8**	**(7.1)**	**1.1**	**77.2**	**317.0**
Undrawn committed lines of credit					
Undrawn uncommitted lines of credit	**(308.0)**				**(308.0)**

The main changes in borrowings are described below:

a) in December 2011 Italmobiliare signed an uncommitted line of credit for 100 million euro with So.Par.Fi. (now Franco Tosi S.r.l. after the upstream merger of So.Par.Fi. on July 9, 2015); no drawings have been made;

b) in December 2014, Italmobiliare arranged a 20 million euro irrevocable line of credit with Intesa Sanpaolo maturing on December 31, 2018; early termination was exercised on March 31, 2016;

c) in 2014, Italmobiliare arranged a 24-month committed line of credit with Unicredit for 20 million euro; the facility was canceled with effect from February 22, 2016;

d) on June 29, 2016 the 50 million euro revocable line of credit for hot money drawings arranged with Intesa Sanpaolo was reduced to 49 million euro and on the same date two current-account credit facilities were granted for, 200 million euro maturing on July 31, 2016, and 1 million euro on a revocable basis, respectively;

e) on October 10, 2016, Mediobanca granted a securities-backed floating-rate loan for 7.11 million euro maturing on September 27, 2018. 120,000 HeidelbergCement AG shares were provided as collateral.

At December 31, 2016, some loan contracts included customary clauses represented mainly by negative pledges, which could weaken the borrower’s equity guarantee (e.g., amendments to the by-laws, change of business, reduction in share capital) and cause the lender to withdraw from the contract.

Market risk

Interest-rate risk

Fluctuations in interest rates affect the fair value of financial assets and liabilities and the level of net finance costs.

A regular report is drawn up analyzing liability amounts, costs and maturities.

The table below illustrates the composition of the net financial position at December 31, 2016, and exposure to interest-rate risk; reference should be made to the specific note for a detailed analysis of the net financial position.

(in millions of euro)	
Balance at December 31, 2016	
Fixed-rate financial liabilities	
Fixed-rate financial assets	1.1
Fixed-rate NFP at inception	**1.1**
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Fixed-rate NFP after hedging	**1.1**
Floating-rate financial liabilities	(7.5)
Floating-rate financial assets	57.3
Floating-rate NFP at inception	**49.8**
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Floating-rate NFP after hedging	**49.8**
Assets not exposed to interest-rate risk	276.6
Liabilities not exposed to interest-rate risk	(10.5)
Total NFP	**317.0**

Floating-rate assets include amounts due from Group companies and floating-rate bonds; floating-rate liabilities include amounts due to third parties and Group companies.
A simulation was performed to estimate the change in the fair value of the total net financial position caused by an upward shift of 100 bp in the interest-rate curve on all maturities.
The analysis found an overall estimated impact of -2.0 million euro, on the statement of financial position.
On demand and time deposits, an instantaneous shift in the curve would not generate an automatic effect on the income statement.

Currency risk

The Regulation places a material limitation on exposure to currency risk. Currency positions are limited and used in order to de-correlate the risk of traditional financial assets in the liquidity management portfolio.

Other price risks

Italmobiliare S.p.A. is particularly exposed to the risk of fluctuations in the prices of listed equities carried at fair value.
Since Italmobiliare S.p.A. is a holding company, exposure to equity risk is inherent to its core business. In some cases, for limited amounts, the Regulation sets out procedures and approvals for the use of derivatives to mitigate this risk.

At December 31, 2016, assets exposed to price risk, classified as “Available-for-sale”, amounted to 598.7 million euro.

A hypothetical reduction of 5% in share prices would have a negative impact on asset fair value of 29.9 million euro, of which -29.8 million euro on equity and -0.1 million euro on the income statement.

(in millions of euro)	Underlying		Share price delta	Impact on income statement		Impact on equity
Shares (AFS)	598.7		-5%	(0.1)		(29.8)

Net financial position (debt)

At December 31, 2016, the company had a net financial position of 316,973 thousand euro, an increase of 455,830 thousand euro from December 31, 2015.

The breakdown of the net financial position is set out below:

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Cash and cash equivalents	146,830	1,428	145,402
Financial assets due from Group companies	4,475	3,479	996
Government securities and bonds - current	717	736	(19)
Government securities and bonds - non-current	4,525	5,564	(1,039)
Mutual funds	70,636	668	69,968
Fixed-rate currency bonds (USD)	47,470	-	47,470
Repurchase agreements	50,044	-	50,044
P.O. Compagnia Fiduciaria Nazionale	417	-	417
Index-linked ETFs	1,967	1,848	119
Puts/calls on equities	7,793	1,169	6,624
Prepayments and accrued income	225	156	69
Total financial assets	**335,099**	**15,048**	**320,051**
Bank loans and borrowings	-	(150,477)	150,477
Securities-backed loans and borrowings	(7,112)	-	(7,112)
Financial liabilities vs subsidiaries	(408)	(1,721)	1,313
Puts/calls on equities	(10,606)	(1,679)	(8,927)
Accrued expenses and deferred income	-	(28)	28
Total financial liabilities	**(18,126)**	**(153,905)**	**135,779**
Net financial position (debt)	**316,973**	**(138,857)**	**455,830**

Comparison between fair value and carrying amount

The table below provides a breakdown of the carrying amount and the fair value of financial assets and financial liabilities at December 31, 2016 and December 31, 2015.

	December 31, 2016		December 31, 2015	
(in thousands of euro)	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets				
Assets at fair value through profit or loss				
Cash and cash equivalents	146,830	146,830	1,428	1,428
Options on securities	7,793	7,793	1,169	1,169
Derivatives	-	-	-	-
Equity investments, bonds and current loan assets	155,260	155,260	6,794	6,794
Loans and receivables				
Trade receivables	262	262	9,504	9,504
Receivables and other non-current assets	89,376	89,376	8,933	8,933
Available-for-sale assets				
Other equity investments	626,775	626,775	194,219	194,219
Held-to-maturity investments	-	-	-	-
Total	**1,026,296**	**1,026,296**	**222,047**	**222,047**
Financial liabilities				
Trade payables	2,288	2,288	4,551	4,551
Current loans and borrowings	408	408	1,749	1,749
Current bank loans and borrowings			130,495	130,495
Non-current loans and borrowing	7,112	7,112	20,000	20,000
Options on securities	10,606	10,606	1,679	1,679
Interest-rate derivatives	-	-		
Total	**20,414**	**20,414**	**158,474**	**158,474**

Fair Value – hierarchy

In determining and documenting the fair value of financial instruments, Italmobiliare S.p.A. uses the following hierarchy based on different measurement techniques:
level 1: financial instruments with prices quoted on active markets;
level 2: prices quoted on active markets for similar financial instruments, or fair value determined with other measurement methods where all significant inputs are based on observable market data;
level 3: fair value determined with measurement methods where no significant input is based on observable market data.

At December 31, 2016, financial instruments measured at fair value were as follows:

(in thousands of euro)	**December 31 2016**	**Level 1**	**Level 2**	**Level 3**
Equity investments, bonds and current loan assets	50,835	50,835		
Derivatives - assets	7,793		7,793	
Receivables and other non-current assets	25,024		4,525	20,499
Non-current equity investments	626,775	598,413	16,474	11,888
Current loans and borrowings	(408)		(408)	
Derivatives - liabilities	(10,606)		(10,606)	
Non-current loans and borrowings	(7,112)		(7,112)	

With regard to the fair value of the non-current equity investments shown under level 3, Banca Leonardo fair value was estimated on the basis of market multiples and comparables (the multiple was applied to the bank's average earnings normalized to exclude non-recurring transactions). Based on this estimate, an impairment loss was recognized in the year, detailed in note 32.
For Sesaab, fair value was estimated on the basis of market multiples and comparables, and an impairment loss was recognized in the year, detailed in note 32.
There were no transfers between levels in 2016.

The change in level 3 is set out in the table below:

(in thousands of euro)	Receivables and other non-current assets	Non-current equity investments	Total
Balance at December 31, 2015	**0**	**18,359**	**18,359**
Changes due to:			
Fair value changes	131	2,036	**2,167**
Sales/reductions in capital		(1,401)	**(1,401)**
Impairment losses		(7,105)	**(7,105)**
Other changes	20,368		**20,368**
Total changes	**20,499**	**(6,470)**	**14,029**
Balance at December 31, 2016	**20,499**	**11,889**	**32,388**

Cash and cash equivalents

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Cash and checks in hand	11	14	(3)
Bank and postal accounts	146,819	1,431	145,388
Net balance	**146,830**	**1,445**	**145,385**

Short-term deposits have varying maturities within three months, in relation to the company's financial requirements; interest matures at the respective short-term rates.
The fair value of cash and cash equivalents corresponds to their carrying amount.

Equity investments, bonds and current loan assets

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Trading bonds	150,752	3,252	147,500
Current loan assets due from subsidiaries	4,475	3,479	996
Financial prepayments	225	63	162
Total	**155,452**	**6,794**	**148,658**

Details of "Trading bonds" are illustrated in annex "C".

Trade receivables

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Customers	52	1	51
Subsidiaries	210	9,503	(9,293)
Total	**262**	**9,504**	**(9,242)**

Receivables referred to Italian subjects.

Other non-current assets

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Available-for-sale bonds and mutual funds	89,172	8,302	80,870
Guarantee deposits	13	13	-
Receivables on tax consolidation due from subsidiaries	1,098	618	480
Total	**90,283**	**8,933**	**81,350**

Details of available-for-sale bonds are illustrated in annex "C".

Investments in subsidiaries and associates

The movements on this caption with respect to December 31, 2015, are illustrated below:

(in thousands of euro)	
At December 31, 2015	**204,565**
Increase for purchase of equity investments	82,531
Increase for capital payment to Franco Tosi S.r.l.	90,000
Increase for capital payment to Italmobiliare Servizi S.r.l.	3,500
Decrease for reduction share premium on distribution of Franco Tosi S.r.l.'s reserves	(100,000)
Impairment losses	(1,470)
At December 31, 2016	**279,126**

The increase due to equity investment purchases arose from the purchase of BravoSolution S.p.A. (43,589 thousand euro), Italgen S.p.A. (20,132 thousand euro) and Clessidra SGR S.p.A. 18,810 thousand euro).

The decrease of 683,223 thousand euro in "Assets held for sale" reflected in accordance with IFRS 5 was due to the sale of the equity investment in the subsidiary Italcementi S.p.A.

With reference to the subsidiary Sirap Gema S.p.A., an impairment test was carried out by an independent expert in accordance with IAS 36, to determine recoverable value (equity value) on the basis of the estimated present value of future cash flows.
The recoverable equity value of Sirap Gema S.p.A. was determined using the asset-side approach, which decreases the core equity value by net financial debt and employee provisions and increases it by the balance on other non-operating assets and liabilities (net surplus assets).
Since the recoverable equity value of Sirap Gema S.p.A. corresponds to the sum of all its cash-generating units, this approach meant it was possible for most of the CGUs to use the estimated recoverable amount already calculated by Sirap Gema S.p.A. for its own impairment testing.

For the CGUs that were not measured in the Sirap Gema group impairment test, recoverable amount was estimated on the basis of consistent criteria. Specifically, the recoverable amount of all the CGUs was estimated using the value in use configuration based on analytical future cash flow projections for a period of five years (2017-2021) and on subsequent estimated terminal value.
The cash flow projections for the first year correspond to the 2017 budget figures; the projections for 2018/2021 are Sirap Gema S.p.A. management's best estimate compatibly with current strategy and trends and with the assumptions underlying the 2017 budget.

The table below sets out the discount rates (after-tax weighted average cost of capital) and the nominal growth rate (g) used in the terminal value employed to determine value in use of each CGU of the Sirap Gema group (data relating to the Inline Poland CGU refers to cash flows in local currency):

	Weighted average cost of capital	Growth rate (g)
Rigid Division Italy CGU	7.72%	0.85%
Foamed Container Division CGU	7.66%	0.85%
Rigid Poland CGU	9.09%	2.50%
Sirap France CGU	6.60%	0.97%
Petruzalek group CGU	9.50%	2.28%
Rosa Plast Srl	7.72%	0.85%
Universal Imballaggi CGU	7.66%	0.85%

The nominal growth rates (g) used in the terminal value are aligned with the inflation rate or GDP growth rate forecast for 2021 for the countries/markets in which each CGU operates.

Equity value was ascertained at 72,720 thousand euro against a carrying amount of 50,878 thousand euro. Therefore, no impairment losses were recognized.

With reference to the subsidiary BravoSolution S.p.A., an impairment test was carried out by an independent expert in accordance with IAS 36, to determine recoverable value (equity value) on the basis of the estimated present value of future cash flows.

The recoverable equity value of BravoSolution S.p.A. was determined using the asset-side approach, which decreases the core equity value by net financial debt and employee provisions and increases it by the balance on other non-operating assets and liabilities (net surplus assets).

Since the recoverable value of the net operating invested capital of BravoSolution S.p.A. corresponds to the sum of all its cash-generating units (CGUs), this approach meant it was possible for most of the CGUs to use the estimated recoverable amount already calculated by BravoSolution S.p.A. for its own impairment testing.

For the CGUs that were not measured in the BravoSolution group impairment test, recoverable amount was estimated on the basis of consistent criteria. Specifically, the recoverable amount of all the CGUs was estimated using the value in use configuration based on analytical future cash flow projections for a period of five years (2017-2021) and on subsequent estimated terminal value.

The cash flow projections for the first year correspond to the 2017 budget figures; the projections for 2018/2021 are BravoSolution S.p.A. management's best estimate compatibly with current strategy and trends and with the assumptions underlying the 2017 budget.

The table below sets out the discount rates (after-tax weighted average cost of capital, WACC) and the nominal growth rate (g) used in the terminal value employed to determine value in use of each CGU of the group.

	Weighted average cost of capital	Growth rate (g)
Bravo Bus Srl	8.34%	1.20%
BravoSolution France SAS	7.20%	1.50%
BravoSolution Espana SA	7.91%	1.50%
BravoSolution UK Ltd	7.76%	2.00%
BravoSolution US Inc	9.95%	2.34%
BravoSolution China Co Ltd	10.22%	2.00%
BravoSolution Benelux BV	6.85%	1.27%
BravoSolution Mexico Srl de CV	16.19%	3.00%
TejariSolution FZ	13.30%	3.60%
BravoSolution APAC Pty Ltd	9.28%	2.50%
BravoSolution Italia Srl	8.34%	1.20%
BravoSolution Nordics OY	6.86%	2.00%
BravoSolution Gmbh	6.61%	2.00%

The nominal growth rates (g) used in the terminal value are aligned with the inflation rate or GDP growth rate forecast for 2021 for the countries/markets in which each CGU operates.

Equity value was ascertained at 98,097 thousand euro against a carrying amount of 46,812 thousand euro. Therefore, no impairment losses were recognized.

With reference to the subsidiary Clessidra SGR, an impairment test was carried out in accordance with IAS 36, to determine recoverable value (equity value) on the basis of the estimated present value of future cash flows.
The recoverable equity value of Clessidra SGR was determined using the asset-side approach, which decreases the core equity value by net financial debt and employee provisions and increases it by the balance on other non-operating assets and liabilities (net surplus assets).

Equity value was ascertained at 29,088 thousand euro against a carrying amount of 18,810 thousand euro. Therefore, no impairment losses were recognized.

Equity investments in subsidiaries and associates at December 31, 2016, are listed below:

Subsidiaries	Registered office	% held
BravoSolution S.p.A.	Bergamo	82.743
Clessidra SGR S.p.A.	Milan	99.00
Franco Tosi S.r.l.	Milan	100.00
Italgen S.p.A.	Bergamo	100.00
Italmobiliare Servizi S.r.l.	Milan	100.00
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milan	100.00
Sirap Gema S.p.A.	Verolanuova	100.00
Associates		
Società Editrice Sud S.p.A.	Messina	29.358

See annexes “A” and “B” for further information on equity investments in subsidiaries and associates.

Other equity investments

This non-current asset caption reflects equity investments classified as “available-for-sale”, as required by IAS 39.

(in thousands of euro)	
At December 31, 2015	**194,219**
Purchases	741,574
Disposals	(55,498)
Assignment of shares from free capital increase	810
Distribution of capital reserves	(1,402)
Distribution to savings shareholders	(325,245)
Fair value taken to reserves	87,906
Fair value taken to profit or loss (impairment losses)	(15,589)
At December 31, 2016	**626,775**

Purchases referred largely to the purchase of HeidelbergCement shares (717.6 million euro). Distribution to savings shareholders (325.2 million euro) refers to the HeidelbergCement shares distributed as a special stock dividend to the savings shareholders under the operation to simplify the company’s capital structure approved by the shareholders on August 4, 2016. Other movements are set out in Annex “A”.

For the other companies, the fair value of listed companies is determined on the basis of the official share price on the last accounting day of the reporting period; the fair value of unlisted companies is calculated using the methods envisaged by IAS 39.

Other equity investments at December 31, 2016 were as follows:

(in thousands of euro)	Number of shares	December 31, 2016
Investments in listed companies		
Cairo Comminication S.p.A.	189,198	713
Coima Res S.p.A.	412,332	2,676
HeidelbergCement AG	5,740,771	508,805
Mediobanca S.p.A.	11,070,732	86,219
Total		**598,413**
Investments in non-listed companies		
Ambienta S.p.A.	150	18
Atmos Venture S.p.A.	222,909	80
Compagnia Fiduciaria Nazionale S.p.A.	20,001	1,002
Emittenti Titoli S.p.A.	209,000	1,827
Fin Priv S.r.l.	2,857	16,474
Banca Leonardo S.p.A. group	757,667	6,010
Idrovia Ticino - Milano Nord - Mincio S.p.A. winding up	100	1
Imm.re Lido di Classe S.p.A.	45,991	-
Immobiliare Astra S.p.A.	12,012	30
Sesaab S.p.A.	700,000	1,982
035 Investimenti S.p.A.	1,000,000	938
Total		**28,362**
Total equity investments		**626,775**

The analysis of movements in equity investments is shown in Annex “A”.

Trade payables

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Suppliers	1,926	4,461	(2,535)
Group companies	362	90	272
Total	**2,288**	**4,551**	**(2,263)**

Financial liabilities

Financial liabilities are shown below by category, subdivided by current and non-current liabilities:

(in thousands of euro)	December 31, 2016	December 31, 2015	Change
Non-current banks loans and borrowings	7,112	20,000	(12,888)
Current bank loans and borrowings	-	130,495	(130,495)
Current loans and borrowings	408	1,749	(1,341)
Options on securities	10,606	1,679	8,927
Total financial liabilities	**18,126**	**153,923**	**(135,797)**

Main bank loans and borrowings and lines of credit

The main loans and borrowings were as follows:

(in thousands of euro)		December 31, 2016	December 31, 2015	Change
Without collateral security:				
- Intesa San Paolo S.p.A.	maturity 12/31/2018, early termination	-	20,000	(20,000)
- Banca Popolare di Bergamo	short term	-	42,477	(42,477)
- B.N.L. Brescia	short term	-	38,000	(38,000)
- B.N.L. (interest)		-	18	(18)
- Banco Popolare	short-term	-	35,000	(35,000)
- Unicredit	short-term	-	15,000	(15,000)
Total		**-**	**150,495**	**(150,495)**
With collateral security:				
- Mediobanca S.p.A.	maturity 9/27/2018	7,112	-	7,112
Total		**7,112**		**7,112**
Total loans and borrowings		**7,112**	**150,495**	**(143,383)**

The change arose from the settlement of loans, early termination of the loan with Intesa Sanpaolo and a new loan arranged with Mediobanca backed by HeidelbergCement AG shares.

Non-recurring transactions

The following tables itemize the most significant non-recurring transactions and their impact on equity, net financial debt and profit (loss) for the year:

(in thousands of euro)	12/31/2016 Equity		Profit (loss) for the year		Net financial position (debt)	
		%		%		%
Carrying amounts	**1,218,412**		**759,829**		**316,973**	
Net gain from sale of Italcementi equity investment	741,032	60.82%	741,032	97.53%	877,900	276.96%
Purchase of non-core assets	(122,274)	-10.04%			(200,995)	-26.45%
Income from distribution to shareholders	(523,931)	-43.00%	71,769	9.45%	(126,900)	-16.70%
Other non-recurring income (expense)	(6,906)	-0.57%	(6,906)	-0.91%	(900)	-0.28%
Total	**87,921**	**7.22%**	**805,895**	**106.06%**	**549,105**	**173.23%**
Figurative amount without non-recurring transactions	**1,130,491**		**(46,066)**		**(232,132)**	

(in thousands of euro)	12/31/2015 Equity		Profit (loss) for the year		Net financial debt	
		%		%		%
Carrying amounts	**944,942**		**19,523**		**(138,857)**	
Net gains from the sale of non-current assets						
Other non-recurring expense	(4,992)	-0.53%	(4,992)	-25.57%	(300)	0.22%
Total	**(4,992)**	**-0.53%**	**(4,992)**	**-25.57%**	**(300)**	**0.22%**
Figurative amount without non-recurring transactions	**949,934**		**24,515**		**(138,557)**	

n.s.= not significant

Audit fees

The table below sets out details of the fees paid in 2016 to the independent auditors, pursuant to CONSOB Resolution May 14, 1999, no.11971, art. 149-duodecies, par 1:

Services provided (in thousands of euro)	KPMG S.p.A.	Other companies in the KPMG network	Total
Audit services	280	-	280
Non-audit services	-	87	87
Total	**280**	**87**	**367**

Transactions with related parties

The figures at December 31, 2016, for transactions with related parties are set out in the table below:

Receivables and payables with related parties

(euro) Description	Company	Amount	% impact on carrying amount	Carrying amounts	Reference
Trade receivables	Franco Tosi S.r.l.	28,835			
subsidiaries	Italmobiliare Servizi S.r.l.	19,410			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	10,720			
	Sirap Gema S.p.A.	150,773			
Total trade receivables		**209,738**	**79.96%**	**262,312**	**Note 8**
Other amounts due					
Total other non-current assets		**-**	**0.00%**	**90,283,292**	**Note 7**
Receivables for tax consolidation					
subsidiaries	Franco Tosi S.r.l.	1,098,342			
Prepayments and accrued income					
subsidiaries					
Total other current assets including derivatives		**1,098,342**	**12.12%**	**9,058,829**	**Note 9**
Current account receivables					
subsidiaries	BravoSolution S.p.A.	80,573			
	Italmobiliare Servizi S.r.l.	676,251			
	Sirap Gema S.p.A.	3,718,285			
Total current financial assets		**4,475,109**	**2.88%**	**155,452,048**	**Note 11**
Current account payables	Franco Tosi S.r.l.	(80,959)			
subsidiaries	Italgen S.p.A.	(17,963)			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	(308,819)			
Total current liabilities		**(407,741)**	**100.00%**	**(407,741)**	**Note 18**

(euro) Description	Company	Amount	% impact on carrying amount	Carrying amounts	Reference
Trade payables	Franco Tosi S.r.l.	(5,802)			
subsidiaries	BravoSolution S.p.A.	(9,000)			
	Italgen S.p.A.	(25)			
	Italmobiliare Servizi S.r.l.	(232,335)			
	Other related parties	(21,200)			
Total trade payables		**(268,362)**	**11.73%**	**(2,287,719)**	**Note 22**
Other payables tax consolidation					
subsidiaries	Sirap Gema S.p.A.	(684,783)			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	(21)			
Other liabilities	BravoSolution S.p.A.	(12,927)			
subsidiaries	Italgen S.p.A.	(4,884)			
	Italmobiliare Servizi S.r.l.	(32,357)			
	Other related parties	(600,000)			
Total other non-current liabilities		**(1,334,972)**	**133.41%**	**(1,000,632)**	**Note 20**

COMMITMENTS WITH RELATED PARTIES

Description	Company	Amount
Letters of patronage to	BravoSolution S.p.A.	27,089,413
subsidiaries	Italgen S.p.A.	10,000,000
	Sirap Gema S.p.A.	18,437,788
Total commitments		**55,527,201**

(euro) Description	Company	Amount	% impact on carrying amount	Carrying amounts	Reference
Dividends					
subsidiaries					
Total dividends			**0.00%**	**6,494,736**	**Note 24**
Current account and financial interest income and other income	BravoSolution S.p.A.	40,827			
subsidiaries	Italcementi S.p.A.	88			
	Italgen S.p.A.	19,262			
	Italmobiliare Servizi S.r.l.	726			
	Sirap Gema S.p.A.	29,821			
Total interest income		**90,724**	**6.65%**	**1,364,182**	**Note 24**
Recovery of cost of services	Franco Tosi S.r.l.	63,664			
subsidiaries	Italcementi S.p.A.	12,926,031			
	Italmobiliare Servizi S.r.l.	41,635			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	21,560			
	Sirap Gema S.p.A.	379,322			
Total services		**13,432,212**	**99.96%**	**13,437,212**	**Note 24**
Total revenue		**13,522,936**	**63.50%**	**21,296,130**	**Note 24**
Other revenue and income	BravoSolution S.p.A.	59,676			
subsidiaries	Italcementi S.p.A.	66,748			
	Italgen S.p.A.	1,381			
	Italmobiliare Servizi S.r.l.	124,394			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	676			
Other revenue		**252,875**	**29.89%**	**846,096**	**Note 25**
Services	Franco Tosi S.r.l.	(12,545)			
subsidiaries	Italcementi S.p.A.	(73,024)			
	Italgen S.p.A.	(20,885)			
	Italmobiliare Servizi S.r.l.	(396,727)			
	Other related parties	(1,072,161)			
Total services		**(1,575,342)**	**12.71%**	**(12,394,532)**	**Note 27**
Current account and financial interest expense	Franco Tosi S.r.l.	(26,305)			
subsidiaries	Italcementi S.p.A.	(163)			
	Italgen S.p.A.	(25)			
Other related parties	(Endowment to Fondazione Italcementi)	(900,000)			
Total other operating expense		**(926,493)**	**3.68%**	**(25,209,182)**	**Note 29**
Interest expense on trade payables	BravoSolution S.p.A.	(26)			
subsidiaries	Italcementi S.p.A.	(5)			
	Italmobiliare Servizi S.r.l.	(57)			
Total finance costs		**(88)**	**0.19%**	**(45,811)**	**Note 32**

Impact of transactions with related parties on cash flows

	Cash flows	
(in thousands of euro)	**Amount**	**%**
Cash flow from operating activities with related parties	19,019	n.s.
Total A) - from statement of cash flows	5,187	
Cash flow from investing activities with related parties	(57,221)	-8.7%
Total B) - from statement of cash flows	661,036	
Cash flow from financing activities with related parties	(2,309)	0.4%
Total C) - from statement of cash flows	(520,838)	
Change in cash and cash equivalents with related parties	**(40,511)**	
Change in cash and cash equivalents from statement of cash flows (A+B+C)	**145,385**	

n.s. not significant

Fees paid to directors and the chief operating officer

The table below sets out amounts accrued during the financial year by the directors, the chief operating officer and the manager in charge of financial reporting (key management personnel) for positions held:

(euro)	**2016**	**2015**
Short-term benefits: fees and remuneration	5,469,254	4,689,757
Post-employment benefits	-	-
Other long-term benefits	1,064,801	1,514,052
Share-based payments (stock options)	164,809	-
Total	**6,698,864**	**6,203,809**

Events after the reporting date

No significant events have taken place since the reporting date that require amendments to or additional comments on the financial position and results of operations of Italmobiliare S.p.A. as at and for the year ended December 31, 2016.

Proposal for the approval of the separate financial statements and the allocation of the year's earnings

To the Shareholders,

the profit for the year of 759,828,743.81 euro and the financial situation of the company enable us to propose the distribution of a dividend, gross of the withholdings required by law, of 1.00 euro to every ordinary share, taking into account the 856,749 ordinary treasury shares whose right to earnings is attributed proportionately to the other shares in accordance with art. 2357-ter of the Italian Civil Code.

* * *

To the Shareholders,
if you agree with our proposal, we invite you to carry the following resolution:

The Italmobiliare S.p.A. Annual General Meeting of April 19, 2017,

- having acknowledged the directors' report on operations and the report of the Board of Statutory Auditors after examination of the financial statements as at and for the year ended December 31, 2016,
- considering that the legal reserve has reached one fifth of the share capital and consequently no further provisions are required, pursuant to articles 2430 of the Italian Civil Code and 30 of the company By-laws,

hereby resolves

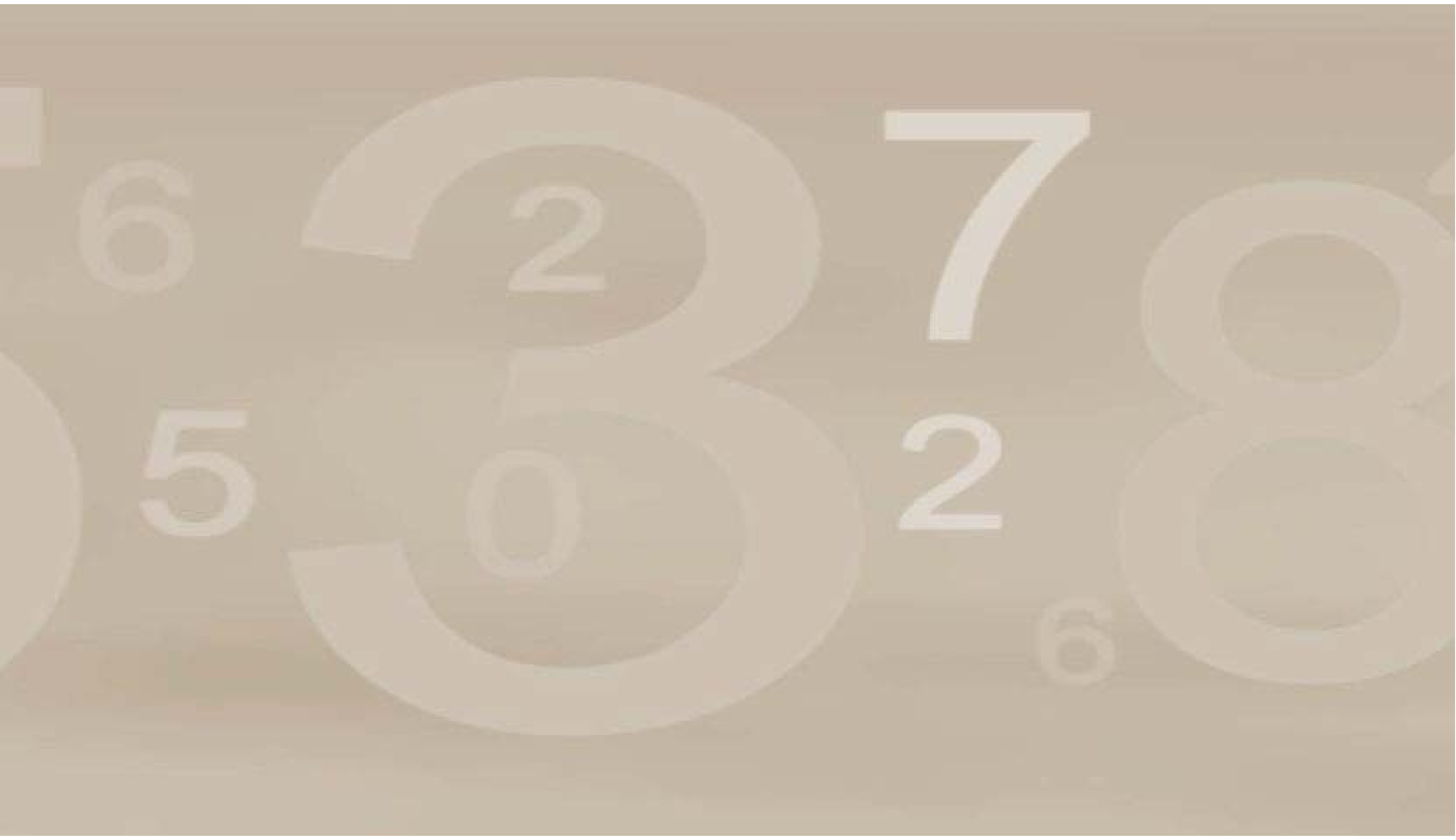
- to approve:
  - the directors' report on operations;
  - the 2016 separate financial statements, consisting of the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, which reflect a profit of 759,828,743.81 euro, as presented by the Board of Directors in its entirety, in the individual postings and with the proposed allocations;
- to apportion the profit for the year as follows:
  - to the 22, 960,151 ordinary shares net of the 856,749 treasury shares held at April 19, 2017, a per-share dividend of 1.00 euro, for a total amount of 22, 960,151.00 euro;
  - to "Retained earnings", the residual amount of 736, 868,592.81 euro;
- to severally authorize the Chairman, the Chief Executive Officer-Chief Operating Officer and the Deputy Chairman, should the number of ordinary treasury shares change before the dividend date:
  - to increase "Retained earnings" by the amount corresponding to the dividend entitlement of any purchased ordinary shares,
  - to reduce "Retained earnings" by the amount corresponding to the dividend entitlement of any sold ordinary shares.

The proposed dividend will be paid as from May 10, 2017 (ex dividend date May 8, 2017).

Milan, April 19, 2017

For the Board of Directors
The Chief Executive Officer
(Carlo Pesenti)

Annexes



Annex A – Statement of changes in equity investments in subsidiaries, associates and other companies at December 31, 2016

(euro) Equities and interests	Balance at 1/1/2016		Additions		Decreases	
Subsidiaries	**Quantity**	**Amounts**	**Quantity**	**Amounts**	**Quantity**	**Amounts**
BravoSolution S.p.A.	2,389,332	3,222,666	24,325,393	43,589,579 (1)		
Clessidra SGR S.p.A.	--	--	297,000	18,810,000		
Franco Tosi S.r.l.	260,000	139,512,878		90,000,000 (2)		100,000,000 (3)
Italgen S.p.A.	--	--	20,000,000	20,131,526 (1)		
Italmobiliare Servizi S.r.l.	1	118,849		3,500,000 (2)		
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	1,300,000	1,558,523				
Sirap Gema S.p.A.	5,000,000	50,878,428				
Total subsidiaries		**195,291,344**		**176,031,105**		**100,000,000**
Associates						
Società Editrice Sud S.p.A.	27,636	9,273,976				
Total associates		**9,273,976**		**--**		**--**
Other companies						
Ambienta S.p.A.	150	18,455				
Atmos Venture S.p.A.	222,909	79,915				
Banca Popolare di Milano S.c.a.r.l.	--	--	23,350,000	13,753,875	23,350,000	13,753,875
Cairo Communication S.p.A.	--	--	189,198	750,208		
Coima Res S.p.A.	--	--	500,000	5,000,000	87,668	876,680
Compagnia Fiduciaria Nazionale S.p.A.	20,001	862,345				
Emittenti Titoli S.p.A.	209,000	407,718				
Fin.Priv. S.r.l.	2,857	18,730,795				
Banca Leonardo S.p.A. group	7,576,661	6,200,000	757,667 (4)		7,576,661 (4)	1,401,682 (5)
HeidelbergCement AG	--	--	10,500,000	717,570,000	4,759,229	325,245,710 (6)
Idrovia Ticino Milano Nord Mincio S.p.A. winding up	100	568				
Immobiliare Lido di Classe S.p.A.	45,991	1				
Immobiliare Astra S.p.A.	12,012	30,020				
Intesa SanPaolo S.p.A.	--	--	1,400,000	2,313,357	1,400,000	2,313,357
Mediobanca S.p.A.	13,500,732	120,097,111			2,430,000	21,616,308
R.C.S. Mediagroup S.p.A..	1,051,102	648,845			1,051,102	648,845
Sesaab S.p.A.	700,000	9,800,000				
UBI Unione di Banche Italiane S.c.p.A.	--	--	915,000	2,187,445	915,000	2,187,445
UniCredit S.p.A. - ordinary shares	7,051,336	36,383,484	306,579	810,564 (7)	7,357,915	14,102,180
035 Investimenti S.p.A.	1,000,000	959,288				
Total other companies		**194,218,545**		**742,385,449**		**382,146,082**
Total equity investments		**398,783,865**		**918,416,554**		**482,146,082**

(1) Increase in carrying amount due to acquisition of non-core assets. The carrying amounts for Bravosolution and Italgen previously recognized at Italcementi were maintained in accordance with the principle of continuity of amounts (OPI 1 Assirevi). In accordance with accounting policy OPI 1, the change with respect to the overall price paid to Italcementi was recognized as an increase in the previous carrying amount of Italcementi.

(2) Capital contribution payment

(3) Reduction in share premium reserve due to distribution of equity reserves

(4) Grouping of shares at a rate of 1 share for every 10 held

(5) Distribution of capital reserves

(6) Distribution to savings shareholders

(7) Scrip dividend

Changes in fair value	Impairment losses	Interest held	Balance at 12/31/2016		
Amounts	Amounts	%	Quantity	Amounts	Imprese controllate
		82.743	26,714,725	46,812,245	BravoSolution S.p.A.
		99.000	297,000	18,810,000	Clessidra SGR S.p.A.
		100.000	260,000	129,512,878	Franco Tosi S.r.l.
		100.000	20,000,000	20,131,526	Italgen S.p.A.
	(1,007,358)	100.000	1	2,611,491	Italmobiliare Servizi S.r.l.
		100.000	1,300,000	1,558,523	Punta Ala Promozione e Sviluppo Immobiliare S.r.l.
		100.000	5,000,000	50,878,428	Sirap Gema S.p.A.
--	**(1,007,358)**			**270,315,091**	**Totale imprese controllate**
					Imprese collegate
	(462,976)	29.358	27,636	8,811,000	Società Editrice Sud S.p.A.
--	**(462,976)**			**8,811,000**	**Totale imprese collegate**
					Altre imprese
		1.000	150	18,455	Ambienta S.p.A.
		10.132	222,909	79,915	Atmos Venture S.p.A.
			--	--	Banca Popolare di Milano S.c.a.r.l.
(37,102)		0.141	189,198	713,106	Cairo Communication S.p.A.
	(1,447,079)	1.145	412,332	2,676,241	Coima Res S.p.A.
139,714		16.668	20,001	1,002,059	Compagnia Fiduciaria Nazionale S.p.A.
1,419,756		2.549	209,000	1,827,474	Emittenti Titoli S.p.A.
(2,256,858)		14.285	2,857	16,473,937	Fin.Priv. S.r.l.
3,709,242	(2,497,560)	2.751	757,667	6,010,000	Gruppo Banca Leonardo S.p.A.
116,480,244		2.893	5,740,771	508,804,534	HeidelbergCement AG
		0.200	100	568	Idrovia Ticino Milano Nord Mincio S.p.A. in liquidazione
		18.036	45,991	1	Immobiliare Lido di Classe S.p.A.
		1.784	12,012	30,020	Immobiliare Astra S.p.A.
			--	--	Intesa Sanpaolo S.p.A.
(12,261,942)		1.269	11,070,732	86,218,861	Mediobanca S.p.A.
			--	--	R.C.S. Mediagroup S.p.A.
(3,272,760)	(4,545,240)	7.000	700,000	1,982,000	Sesaab S.p.A.
			--	--	UBI Unione di Banche Italiane S.c.p.A.
(16,054,331)	(7,037,537)		--	--	UniCredit S.p.A. - azioni ordinarie
40,712	(62,412)	10.000	1,000,000	937,588	035 Investimenti S.p.A.
87,906,675	**(15,589,828)**			**626,774,759**	**Totale altre imprese**
87,906,675	**(17,060,162)**			**905,900,850**	**Totale partecipazioni**

Annex B
List of equity investments in subsidiaries and associates at December 31, 2016 (art. 2427 no.5

	Registered office		Share capital (in euro)	Total equity (in euro)	Profit (loss) for the year (in euro)		Interest held %
Subsidiaries							
BravoSolution S.p.A.	Bergamo	€	32,286,398	42,357,998	(69,473)		82.743
Clessidra SGR S.p.A.	Milan	€	3,000,000	18,066,277	(1,378,868)		99.000
Franco Tosi S.r.l.	Milan	€	260,000	283,071,034	(90,417)		100.000
Italgen S.p.A.	Bergamo	€	20,000,000	37,199,921	2,123,129		100.000
Italmobiliare Servizi S.r.l.	Milan	€	3,520,000	2,611,488	(1,139,589)		100.000
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milan	€	1,300,000	1,065,964	(293,205)		100.000
Sirap Gema S.p.A.	Verolanuova	€	5,000,000	8,265,230	2,337,764		100.000
Total subsidiaries							
Associates							
Società Editrice Sud S.p.A.	Messina	€	10,695,505	60,525,937	(1,609,574)	(1)	29.358
Total associates							

(1) data at 12/31/2015

Reasons for negative difference shown in last column

- BravoSolution S.p.A. : carrying amount maintained because lower than recoverable amount
- Italmobiliare Servizi S.r.l.: carrying amount maintained because lower than recoverable amount
- Punta Ala S.r.l. : carrying amount maintained because lower than recoverable amount
- Sirap Gema S.p.A. : carrying amount maintained because lower than recoverable amount

Number of shares or quotas	Nominal unit value (in euro)	Overall carrying amount Unit	(in euro)	Overall (000 €) (A)	Value as per art. 2426 no.4 Italian Civil Code (000 €) (B)	Difference (000 €) (B) - (A)	
							Subsidiaries
26,714,725	1.00	1.75	46,812,245	46,812	26,054	(20,758)	BravoSolution S.p.A.
297,000	10.00	63.33	18,810,000	18,810	20,878	2,068	Clessidra SGR S.p.A.
260,000	1.00	498.13	129,512,878	129,513	291,609	162,096	Franco Tosi S.r.l.
20,000,000	1.00	1.01	20,131,526	20,132	29,369	9,237	Italgen S.p.A.
1	20,000	2,611,491	2,611,491	2,611	2,593	(18)	Italmobiliare Servizi S.r.l.
1,300,000	1.00	1.20	1,558,523	1,559	1,067	(492)	Punta Ala Promozione e Sviluppo Immobiliare S.r.l.
5,000,000	1.00	10.18	50,878,428	50,878	19,213	(31,665)	Sirap Gema S.p.A.
			270,315,091	**270,315**	**390,783**	**120,468**	**Total subsidiaries**
							Associates
27,636	56.81	318.82	8,811,000	8,811	8,811	--	Società Editrice Sud S.p.A.
			8,811,000	**8,811**	**8,811**	**--**	**Total associates**

Annex C
Statement of changes in bonds and fund units during 2016

(euro)	Balance at 01.01.2016	Additions	Decreases	Changes in fair value	Balance at 12.31.2016
Available-for-sale portfolio					
Other variable-income securities	5,564,100	--	2,130,700	1,091,500	4,524,900
Mutual funds	2,738,031	75,019,109	657,979	7,131,096	84,230,257
Other fixed-income securities	--	417,000	--	--	417,000
Total	**8,302,131**	**75,436,109**	**2,788,679**	**8,222,596**	**89,172,157**

	Balance at 01.01.2016	Additions	Decreases	Changes in fair value	Balance at 12.31.2016
Trading portfolio					
Other variable-income securities	2,516,446	--	1,387	133,701	2,648,760
Other fixed-income securities	736,039	44,624,722	--	2,825,842	48,186,603
Mutual funds	--	54,249,950	4,404,480	27,032	49,872,502
Repurchase agreements	--	50,043,691	--	--	50,043,691
Total	**3,252,485**	**148,918,363**	**4,405,867**	**2,986,575**	**150,751,556**

The balance at December 31, 2016 was equal to market value at December 31, 2016.

Annex D
Comparison of carrying amount and market prices at December 31, 2016, for equity investments in companies with listed shares

(euro) **Equities**	**Number of shares**	**Carrying amount**	**Unit carrying amount**	**Unit fair value at December 31, 2016**	**Fair value at December 31, 2016**
Subsidiaries		-			-
Associates		-			-
Other companies					
Cairo Communication S.p.A.	189,198	713,106	3.7691	3.7691	713,106
Coima Res S.p.A.	412,332	2,676,241	6.4905	6.4905	2,676,241
HeidelbergCement AG	5,740,771	508,804,534	88.630	88.630	508,804,534
Mediobanca S.p.A.	11,070,732	86,218,861	7.7880	7.7880	86,218,861
		598,412,742			**598,412,742**
Treasury shares (allocated as a reduction against equity)					
Italmobiliare Società per Azioni - ordinary shares (*)	874,014	34,567,876	39.5507	44.1279	38,568,402
		34,567,876			**38,568,402**

(*) of which 211,345 to service stock option plans

Annex E
Reconciliation between the theoretical tax charge and the effective tax charge reflected in the income statement

	(in thousands of euro)			
A)	**Profit before tax at December 31, 2016**			**771,260**
B)	Current IRES tax rate	**27.5%**		
C)	**Theoretical IRES (AxB)**			**(212,097)**
D)	- non deductible			(321,825)
	- non taxable/ exempt			523,979
			tot. D)	202,154
E)	Deferred tax assets / liabilities generated in the year:			
	- unrecognized deferred tax liabilities on taxable temporary differences			(4,544)
	- unrecognized deferred tax assets on deductible temporary differences			
	- unrecognized deferred tax assets on tax loss			
			tot. E)	(4,544)
F)	Recovery in year of deferred tax assets not recognized in prior years on deductible temporary differences and/or tax losses		tot. F)	2,873
G)	Other taxes (prior-year taxes)		tot. G)	
H)	Other changes		tot. H)	183
	Total		**(C+D+E+F+G+H)**	**(11,431)**
I)	Other taxes (prior-year taxes)			-

L)	**Effective tax charge recognized in the income statement for 2016**	**(11,431)**

Annex F
Analysis of equity line items at December 31, 2016

(in thousands of euro) Nature / description	Amount	Possible uses	Available amount	Summary of uses in three previous years to cover losses	other
Share capital	**100,167**				
Reserves:					
Share premium	177,191	A, B, C	177,191		
Stock options	12,054	-			
AFS fair value reserve	113,814	-	-		
Total reserves	**303,059**	**-**	**177,191**		
Treasury shares at cost	**(34,568)**	**-**			(434)
Retained earnings:					
Revaluation reserves	-	A, B, C	-	(31,418)	
Reserve for grants related to assets	-	A, B, C	-	(2,164)	
Merger surplus	9,194	A, B, C	9,194		
Reserve as per art.55 Presidential decree no. 597/1973 and 917/86	-	A, B, C	-	-	
Reserve as per art.54 Presidential decree no. 597/1973 and 917/86	-	A, B, C	-	-	
Reserve art.33 Law no. 413/91	-	A, B, C	-	-	
Reserve art.34 Law no. 576/75	60,087	A, B, C	60,087	(33,155)	
Legal reserve	20,034	B			
Extraordinary reserve	-	A, B, C	-		(57)
Retained earnings	-	A, B, C	-		
Translation reserve	-	A, B, C			
Reserve ex art.7 Law no. 38/2005	610	A, B, C	610		(52)
Profit for the year	759,829		759,829		
Total retained earnings	**849,754**		**829,720**	**(66,737)**	**(543)**
Total			**1,006,911**		
Non-distributable portion - art. 2426 n. 5 Italian Civil Code					
Residual distributable portion			**1,006,911**		

Key: A: for share capital increase
B: to cover losses
C: for distribution to shareholders

(Translation from the original Italian text)

Statement pursuant to art. 154-bis, subsection 5 TUF regarding the separate financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent modifications and integrations

1. The undersigned Carlo Pesenti, Chief Executive Officer and Guido Biancali, Manager in charge of financial reporting of Italmobiliare S.p.A., also taking into consideration art. 154-*bis*, paragraphs 3 and 4, of the Legislative Decree February 24th, 1998, no. 58, do hereby certify:
   - the adequacy in relation to the company structure and
   - the actual application,

   of the administrative and accounting procedures adopted for the preparation of the **separate financial statements**, in the period from January 1st, 2016 to December 31st, 2016.

2. The assessment of the adequacy of the administrative and accounting procedures adopted for the preparation of separate financial statements as of December 31st, 2016 is based on a model identified by Italmobiliare according to the CoSO framework (illustrated in the CoSO Report) and also takes into account the document "Internal Control over Financial Reporting – Guidance for Smaller Public Companies", both issued by the Committee of Sponsoring Organizations of the Treadway Commission representing a generally accepted international framework.

3. It is also certified that:

   3.1 the separate financial statements as of December 31st, 2016:

   a. were prepared in compliance with applicable international financial reporting standards recognised by the European Community pursuant to European Parliament and Council Regulation no. 1606/2002 of July 19th, 2002;
   b. correspond to the accounting books and entries;
   c. are suitable to provide a true and fair presentation of the equity, income and financial situation of the issuer.

   3.2 the annual directors' report includes a reliable analysis of the business trend and the operational results of Italmobiliare S.p.A., together with a description of the main risks and uncertainties to which it is exposed.

Signed by: Carlo Pesenti, Chief Executive Officer
Signed by: Guido Biancali, Manager in charge of financial reporting

March 2nd, 2017

Report of the Board of Statutory Auditors to the Shareholders' Meeting in compliance with art. 153 of Legislative Decree 58/1998 and art. 2429, paragraph 2, of the Italian Civil Code

Milan, March 22, 2017

To the Shareholders,

In compliance with art. 153 of Legislative Decree 58/1998 ("TUF", consolidated law on finance) and art. 2429, paragraph 2 of the Italian Civil Code, the Board of Statutory Auditors is required to report to the Shareholders' Meeting called to approve the financial statements on operations performed during the year, as well as on any omissions and exceptionable facts that may have been observed. The Board of Statutory Auditors may also formulate proposals pertaining to the financial statements and their approval, as well as to issues within its sphere of competence.

During the year, the Board of Statutory Auditors carried out its supervisory activities in compliance with the provisions of current law and the conduct guidelines recommended by the National Board of Accountants and by Consob and the Code of Conduct for listed companies.

* * *

Appointment and meetings of the Board of Statutory Auditors

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of May 27, 2014, and its members are Francesco Di Carlo (Chairman), Angelo Casò and Luciana Ravicini. Maria Rachele Vigani, Barbara Berlanda and Paolo Ludovici are substitute auditors.

The Board of Statutory Auditors has held 12 meetings since its previous report (March 22, 2016) and 13 meetings in 2016.

During 2016, the entire Board of Statutory Auditors or in any case some of its members also attended all the meetings of the Board of Directors (which met 11 times), the Executive Committee (which met once), the Control & Risks Committee (9 meetings), the Committee for Transactions with Related Parties (once) and the Remuneration Committee (4 meetings).

Significant events during the year

A number of important transactions took place in 2016, specifically:

- execution of the agreement for the sale to HeidelbergCement of the company's entire shareholding in Italcementi: this is certainly the most significant event, given that the equity investment in Italcementi was for years the company's largest shareholding and therefore its sale determined during the current year – and will continue to determine – material impacts on Italmobiliare strategy and, consequently, on its organizational structure;
- the mandatory conversion of savings shares with the distribution of a special dividend;
- the purchase of the entire share capital of Clessidra SGR S.p.A..

For a full description of significant events during the year ended December 31, 2016, reference should be made to the Directors' Report, which, to the knowledge of the Board of Statutory Auditors, comprehensively outlines the most significant events regarding the Italmobiliare Group in 2016 and up to the date of approval of the financial statements.

Atypical or unusual transactions

According to Communication no. DEM/6064293 of July 28, 2006, atypical and/or unusual transactions are *those transactions that, in terms of materiality/significance, nature of the counterparts, object of the transaction, manner of determination of the transfer price and timing of the event (proximity to the end of the financial year), may raise doubts regarding: the correctness/completeness of the information in the financial statements, conflicts of interest, the protection of the company assets, the safeguarding of the minority shareholders.*

The Board of Statutory Auditors found no evidence of atypical or unusual transactions during the course of its supervisory activities.

Intragroup transactions or transactions with related parties

In compliance with art. 2391-bis of the Italian Civil Code and the Regulation on transactions with related parties approved by Consob regulation 17221 of March 12, 2010, the company has drawn up and implemented a “Procedure for Transactions with Related Parties” (“TRP Procedure") and has established a “Committee for Transactions with Related Parties” (“TRP Committee").

No changes were made to the TRP Procedure during the period to which this report refers.

The TRP Committee met once during 2016, to examine an update and confirmation of the fairness opinion on the sale by Italcementi to the company of the equity investments in BravoSolution and in Italgen, and the properties in Rome; the sales of these non-core assets were agreed in connection with the sale by the company to HeidelbergCement of its entire shareholding in Italcementi. It should be pointed that these sales were not subject to application of the TRP Procedure and that the intervention of the TRP Committee was nonetheless requested to ensure the adequacy of the decision process that led to the acquisition of the non-core assets.

The Board of Statutory Auditors attended the Committee meeting and ascertained that its work was performed correctly.

In 2016, to the extent of our knowledge, the only intragroup transactions entered into, in addition to those described above, essentially consisted of reciprocal administrative services and consultancy on legal, organizational, leasing and financial matters. No anomalies emerged from the Board of Statutory Auditors’ analysis of the information made available to it.

A detailed disclosure on transactions with related parties is provided in the Directors’ Report, in the notes to the consolidated financial statements as at and for the year ended December 31, 2016, in the Directors’ Report and in the notes to the separate financial statements as at and for the year ended December 31, 2016.

Supervisory activities in accordance with the Consolidated Legal Auditing Act “Testo Unico della Revisione Legale dei conti”

The Board of Statutory Auditors, identified under Legislative Decree 39/2010 as the “Control and Risks and Legal Audit Committee”, is required under the decree – as revised by Legislative Decree 135/2016 – to:

a) inform the governing body of the entity being audited of the outcome of the legal audit and to send to that body the additional report as per art. 11 of European Regulation no. 537/2014, accompanied by any observations;

b) monitor the financial disclosure process and present recommendations or suggestions intended to ensure its integrity;

c) check the efficacy of the company's internal quality and risk management control systems and, if applicable, its internal audit, with regard to the financial disclosure of the entity being audited, without infringing on its independence;

d) monitor the legal audit of the separate financial statements and the consolidated financial statements, taking account of any findings and conclusions of the available quality checks performed by Consob under art. 26 paragraph 6 of the Regulation;

e) verify and monitor the independence of the legal auditing company in compliance with articles 10, 10-bis, 10-ter, 10-quater and 17 of the decree and of art. 6 of the European Regulation, especially with regard to the adequacy of the services provided other than the legal auditing of the entity being audited, in compliance with art. 5 of the regulation;

f) be responsible for the procedure for the selection of the legal auditors or the legal auditing company and recommend the legal auditors or the legal auditing company to be designated pursuant to art. 16 of the European Regulation.

It is pointed out that some of the activities for which the Board of Statutory Auditors is responsible pursuant to Legislative Decree 39/2010, as revised by Legislative Decree 135/2016, shall also apply in relation to the years after 2016. The activities performed by the Board of Statutory Auditors with regard to 2016, in compliance with the applicable laws for the year in question, are described below.

The supervisory activities carried out by the Board of Statutory Auditors provided the following indications.

(i) Supervision of the financial disclosure process

The Board of Statutory Auditors verified the existence of appropriate regulations and processes supporting the process of “preparation” and “publication” of financial disclosures during meetings with the Manager in charge of preparing the company’s financial reports, with the head of the internal audit department (who, in turn, monitors the financial disclosure process) and with the legal affairs department, each in their own area of concern, obtaining from them evidence about the process used to prepare financial disclosures, about the company's administrative and accounting procedures and about the reporting process adopted by the subsidiary companies, also in accordance with art. 114 and with Consob regulations.

The work of the Board of Statutory Auditors did not reveal any acts or omissions requiring discussion in the Shareholders' Meeting.

(ii) Supervision of the effectiveness of the internal control, internal audit and risk management systems

The entire Board of Statutory Auditors or a number of its members attended all meetings of the Control & Risks Committee. The Board of Statutory Auditors ensured a constant exchange of information with the Committee on the work of the two bodies.

The Board of Statutory Auditors periodically met with the head of the internal audit department, on occasion during meetings of the Control & Risks Committee, and obtained updates on the execution of the audit plan, and on the audits conducted and their outcome. The Board of Statutory Auditors also received from the head of the internal audit department the reports drawn up upon completion of the individual control activities performed by the department.

Through its meetings with and examination of the documents provided by the head of the internal audit department, the Board of Statutory Auditors ascertained the adequacy and operation of the company's internal control system, compliance with law and with company procedures and processes, and the implementation of the relevant improvement plans recommended by the department.

The Board of Statutory Auditors received and examined the Audit Plan for 2017, which it deems adequate. As last year, the time period taken into consideration by the audit plan is just one year; the decision, supported by the Board of Statutory Auditors, not to prepare a multi-year plan, was determined by the need to take into account the on-going evolution of the company's and the Group's operations after the sale to HeidelbergCement in 2016 of the entire shareholding in Italcementi.

The Board of Statutory Auditors has viewed the report prepared by the independent auditors under art. 19, paragraph 3 of Legislative Decree 39/2010 regarding fundamental issues that emerged during the legal audit, which does not report any significant problems with the company's internal audit system in relation to the process of financial information.

With regard to the subsidiaries that are excluded from the company's audit plan, as they have their own audit departments, the head of the internal audit department and the Control & Risks Committee proceeded to examine and assess reports received from the audit departments of these companies. The reports prepared by the competent departments in Clessidra, SGR, Sirap Gema, Crédit Mobilier and – with reference to only the first half of 2016 – Italcementi revealed that these companies' internal audit and risk management systems are adequate.

Until the sale of Italcementi to HeidelbergCement, as part of the exchange of information with Italcementi's Board of Statutory Auditors, the company's Board of Statutory Auditors was able to confirm that the internal audit department of Italcementi is adequate and qualified.

During the year, the Board of Statutory Auditors constantly checked the adequacy of the company's internal audit department (particularly with regard to available resources), notably after the sale of the shareholding in Italcementi, with regard to *(i)* the impact on Italmobiliare strategy and on the related organizational structure, and *(ii)* the acquisition from Italcementi of the equity investments in Italgen and BravoSolution. On the basis of all of the above, and, specifically, of the information provided to the Board of Statutory Auditors by the Control & Risks Committee and the head of the internal audit department, the powers, resources and tools made available to the head of the internal audit department by the company's Board of Directors in the period covered by this Report were adequate and appropriate.

In view of the results of the work performed, the information obtained from the Control & Risks Committee and the statements made by the Committee in its Annual Report, taking into account the content of the Report prepared by the Independent Auditors under art. 19, paragraph 3 of Legislative Decree 39/2010 and with the support of discussions with the Independent Auditors, and considering the information acquired from the relevant bodies of Italcementi (until its sale), Clessidra SGR, Sirap Gema and Crédit Mobilier, the Board of Statutory Auditors considers the internal audit system and the internal audit department to be substantially adequate and effective.

At the same time, during the current year the Board of Statutory Auditors will continue to monitor the adequacy of the company's internal audit department (and particularly the resources allocated) both in the current phase of execution of the contract for sale of the Italcementi shares and following completion of the operation, with regard to *(i)* the impact on Italmobiliare's strategy and organizational structure, and in view of *(ii)* the purchase from Italcementi of the equity investments in Italgen and BravoSolution (in addition to a number of properties in Rome).

The company has not established a specific risk management function, delegating this task to the various operating departments. At the same time, the Board of Statutory Auditors received regular updates from the head of the internal audit department on risk management within the Group; attended the meetings of the Control & Risks Committee, assessing the activities of the committee in relation to risk management at Group level; until the sale of Italcementi, it was also informed by the Italcementi Board of Statutory Auditors that the Italcementi management system was well organized and effective. Consequently, the Board of Statutory Auditors is of the opinion that operating risks are adequately monitored at the Group-wide level, although the need for an autonomous risk management department will need to be re-examined in the future, in the light of developments in the Group and the operating environment, so as to ensure adequate control of risks that could potentially arise from the activities of the company and the subsidiaries.

(iii) Supervision of the legal auditing of the separate financial statements and the consolidated financial statements

The Board of Statutory Auditors periodically met with the management of the independent auditors (KPMG S.p.A.) to exchange information as planned. During these meetings, the Board of Statutory Auditors was provided with information on the fundamental issues that emerged during the audit in relation to measurement, particularly of impairment, and on the implications of the key transactions that took place in 2016, namely the sale to HeidelbergCement of the shareholding in Italcementi, the mandatory conversion of savings shares with the distribution of a special dividend and the acquisition of the entire share capital of Clessidra SGR S.p.A..

KPMG also informed the Board of Statutory Auditors that, during the audit, no significant deficiencies emerged in the internal control system in terms of the financial disclosure process, also with regard to art. 19, paragraph 3 of Legislative Decree 39/2010.

(iv) Supervision of the independence of the independent auditors, especially with regard to provision of non-auditing services

The Board of Statutory Auditors monitored the independence of the independent auditors and took note of the authorization procedure adopted by KPMG – until the legislative amendments introduced with effect from January 1, 2017 – with respect to the requests for professional services made to companies belonging to the KPMG network by companies in the Italmobiliare Group. The procedure provided protection against the acceptance of mandates that might prejudice the independence of KPMG and was in line with the market standards known to the members of the Board of Statutory Auditors. By virtue of the legislative amendments introduced with effect from January 1, 2017, the Board of Statutory Auditors and the independent auditors agreed on the information flows necessary to obtain the authorizations for the provision of non-auditing services by KPMG.

The Board of Statutory Auditors also received from the independent auditors their annual statement of independence, in compliance with art. 17, paragraph 9, clause a), of Legislative Decree 39/2010.

The independent auditors disclosed to the Board of Statutory Auditors the fees it received and those received by Italian and non-Italian companies in the KPMG network, and specified the amounts relating to activities other than auditing. In the year ended December 31, 2016, KPMG S.p.A. and the companies in its network received a total of 1,344 thousand euro from the Italmobiliare Group (as compared to 3,392 thousand euro in the year ended December 31, 2015), broken down as follows: 764 thousand euro for auditing (as compared to 2,695 thousand euro in the year ended December 31, 2015) and 580 thousand euro for various other services (as compared to 697 thousand euro in the year ended December 31, 2015).

From January 1, 2017 to the date of this report, the companies in the KPMG network did not provide Italmobiliare S.p.A. with services other than legal auditing. At the same time, as from January 1, 2017 the Board of Statutory Auditors, at the request of KPMG, issued three authorization applications for non-auditing services, which, in the opinion of the Board, are compatible with the independence requirements of the independent auditors.

The non-auditing services provided to the Group by companies belonging to the KPMG network do not, in our opinion, affect the independence of the independent auditors.

It should be noted that with the approval of the separate financial statements as at and for the year ended December 31, 2016, in compliance with art. 17, paragraph 4, of Legislative Decree 39/2010 establishing the so-called partner rotation rule, a new KPMG partner will take on the role of key party in charge of the audit of the Italmobiliare financial statements.

Separate and consolidated financial statements

As regards the separate and the consolidated financial statements for the year ended December 31, 2016, while the duties of the legal audit and, therefore, the opinion on the separate and the consolidated financial statements are the exclusive domain of the independent auditors, KPMG, it should be noted that:

- the Board of Statutory Auditors supervised the Board of Directors’ compliance with the procedural regulations regarding the preparation of the separate and the consolidated financial statements, as well as their general layout and their overall compliance with the law in terms of form and structure, and has no observations to make in this regard;
- the separate and the consolidated financial statements for the year ended December 31, 2016 were prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, in force as of December 31, 2016, which are duly illustrated in the notes;
- the separate and the consolidated financial statements for the year ended December 31, 2016 are consistent with the facts and information the Board of Statutory Auditors learned while attending meetings of the Board of Directors and the Executive Committee and in carrying out its supervisory activities;
- the Board of Statutory Auditors monitored the impairment testing activities performed by the company, with the support of external professionals, which were checked by the independent auditors;
- the provisions of art. 154-ter, paragraph 1-ter, Legislative Decree 58/98 were complied with.

As stated above, the Board of Statutory Auditors periodically met the independent auditors, KPMG, for an on-going exchange of information on the supervisory activities carried out by both parties. No critical issues worthy of note emerged.

The Board of Statutory Auditors has examined the reports prepared by the independent auditors on the separate financial statements and the consolidated financial statements for the year ended December 31, 2016, and noted:

- the opinions on the separate financial statements and the consolidated financial statements for the year ended December 31, 2016 contained therein, from which it emerges that they comply with the regulations governing their preparation and provide a truthful and accurate view of the financial position and the results of operations, both of the company and at the consolidated level;
- that there are no emphasis-of-matter paragraphs in the reports;
- the opinion regarding the consistency of the Directors’ Report on company operations and the Directors’ Report on Group operations with, respectively, the separate and the consolidated financial statements, as well as with the information contained in the Report on Corporate Governance and Ownership Structure, insofar as they relate to the provisions of art. 123-bis, paragraph 1 clauses c), d), f), l) and n) and paragraph 2 clause b), of Legislative Decree 58/98.

The Board of Auditors has also viewed the Certification Reports prepared by the Managing Director and by the Manager in charge of preparing the company's accounting documents under art. 154-bis, paragraph 5 of Legislative Decree 58/98 regarding the separate and the consolidated financial statements and acknowledges the completeness of their content.

Directors’ reports on company operations and on Group operations

The Board of Statutory Auditors verified the contents of the Directors’ Report on company operations and the Directors’ Report on Group operations. The reports summarize the main risks and uncertainties and provide a business outlook for the company and the Group.

Having examined the Reports, the Board of Statutory Auditors, to the best of its knowledge, found them to be complete with respect to the current provisions of law and to the transparency of the disclosures therein.

Other activities of the Board of Statutory Auditors and disclosures required by Consob

In carrying out its activities, the Board of Statutory Auditors, as required by art. 2403 of the Italian Civil Code and art. 149 of the TUF, supervised compliance with the law and the by-laws, as well as with the principles of proper governance and, especially, the adequacy of the organizational, management and accounting structure of the company.

In accordance with art. 2405 of the Italian Civil Code, the Board of Statutory Auditors attended all the meetings of the Board of Directors and the Executive Committee and obtained periodic information from the directors on general operations, on the expected business outlook, as well as on the most significant financial and business transactions performed by the company. It ensured that the decisions taken were not manifestly imprudent, risky, in potential conflict of interest, in conflict with shareholder resolutions or such as to compromise the solidity of the company assets. The Board of Statutory Auditors also attended shareholders' meetings and special meetings of savings shareholders.

The Board of Statutory Auditors received and examined the Report on corporate governance and ownership structure, which adequately and fully illustrates the company’s compliance with the Code of Conduct for listed companies.

As regards the governance bodies, the following should be noted:

- at the date of this report, the Board of Directors – appointed on May 27, 2014 – is made up of 14 directors, 6 of whom possess the requirements of independence envisaged in the Code of Conduct. The Board of Directors held 12 meetings in 2016;
- the Executive Committee is made up of 5 directors and met once in 2016. The Executive Committee of the company has the same duties as the Board of Directors – with the sole exception of those that may not be delegated – and therefore only meets when, in the event of urgent matters, organization of a Committee meeting is more practical than calling a meeting of the Board of Directors;
- the Control & Risks Committee is made up of 3 directors, 2 of whom possess the requirements of independence envisaged in the Code of Conduct. In 2016, the Control & Risks Committee held 9 meetings;
- the Remuneration Committee is made up of 3 Directors, 2 of whom possess the requirements of independence envisaged in the Code of Conduct. The Remuneration Committee held 4 meetings in 2016, to examine and approve the remuneration policy for executive directors with special powers and managers with strategic responsibilities, and made recommendations to the Board of Directors regarding remuneration of directors and managers;
- the TRP Committee is made up of 3 independent directors. As noted above, in 2016 the TRP Committee met once, to examine an update and confirmation note on the fairness opinion regarding the sale by Italcementi to the company of the equity investments in BravoSolution and in Italgen, and properties in Rome.

By attending the meetings of the various governance bodies, as indicated by the Code of Conduct, the Board of Statutory Auditors was able to ascertain that the Board of Directors had carried out its various duties; the Board of Statutory Auditors was also able to ascertain the correct functioning of the Executive Committee, the Control & Risks Committee, the Remuneration Committee and the Committee for Transactions with Related Parties, as regards the provisions of the Code of Conduct and the procedure for transactions with related parties.

The Board of Statutory Auditors ascertained that the Lead Independent Director had received no petitions and/or contributions from the other independent directors – or from the non-executive directors in general – during 2016 and up to the date of preparation of this report.

As part of its supervisory activities and for the purposes of constant exchanges of information, the Board of Statutory Auditors periodically met:

- the independent auditors, for an on-going exchange of information regarding activities performed;
- the head of the internal audit department, receiving from him information on the outcome of his activities;
- the members of the Supervisory Board, formed pursuant to Legislative Decree no. 231 of June 8, 2001, and received from them information on the outcome of their supervisory activities, supported by the Supervisory Board

Reports to the Board of Directors. The reports reveal that no anomalies or exceptionable facts were encountered and that the Supervisory Board had received no indications from parties within or outside the company regarding alleged breaches of the Organizational and Management Model or the related procedures;

- the Manager in charge of preparing the company's financial reports;
- until the transfer to HeidelbergCement of the company's entire shareholding in Italcementi, the Board of Statutory Auditors of Italcementi, which provided information on the subsidiary's management and internal control systems, deemed to be effective and adequate, and on the company's general operations.

During the above supervisory activities, no omissions, exceptionable facts or irregularities warranting a report to the relevant external supervisory and monitoring bodies or a mention in this report were encountered.

During the year, the Board of Statutory Auditors received no complaints under art. 2408 of the Italian Civil Code or petitions, nor was the Board of Statutory Auditors required to provide any of the opinions envisaged by current regulations in force in addition to those envisaged by art. 2389, paragraph 3, Italian Civil Code, with regard to the remuneration of directors with special duties.

* * *

In consideration of the above and to the extent of its competence, the Board of Statutory Auditors, supported by the report prepared by the independent auditors and its opinion on the financial statements, has no grounds to oppose the approval of the financial statements as at and for the year ended December 31, 2016 prepared by the Board of Directors and has no objections to the proposals made to the Shareholders' Meeting by the Board of Directors.

The Board of Statutory Auditors draws to the shareholders' attention that with the approval of the separate financial statements as at and for the year ended December 31, 2016, the terms of office of the members of the Board of Directors and the Board of Statutory Auditors come to an end, and that the shareholders' meeting will therefore be required to elect new governing bodies.

The Board of Statutory Auditors

Francesco Di Carlo

Angelo Casò

Luciana Ravicini

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
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Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Italmobiliare S.p.A.

Report on the separate financial statements

We have audited the accompanying separate financial statements of Italmobiliare S.p.A., which comprise the statement of financial position as at 31 December 2016, the income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the separate financial statements

The directors of Italmobiliare S.p.A. are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Independent auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of Italmobiliare S.p.A. as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and ownership structure with the separate financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in its specific section on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of Italmobiliare S.p.A. directors, with the separate financial statements. In our opinion, the directors' report and the information presented in its specific section on corporate governance and ownership structure referred to above are consistent with the separate financial statements of Italmobiliare S.p.A. as at and for the year ended 31 December 2016.

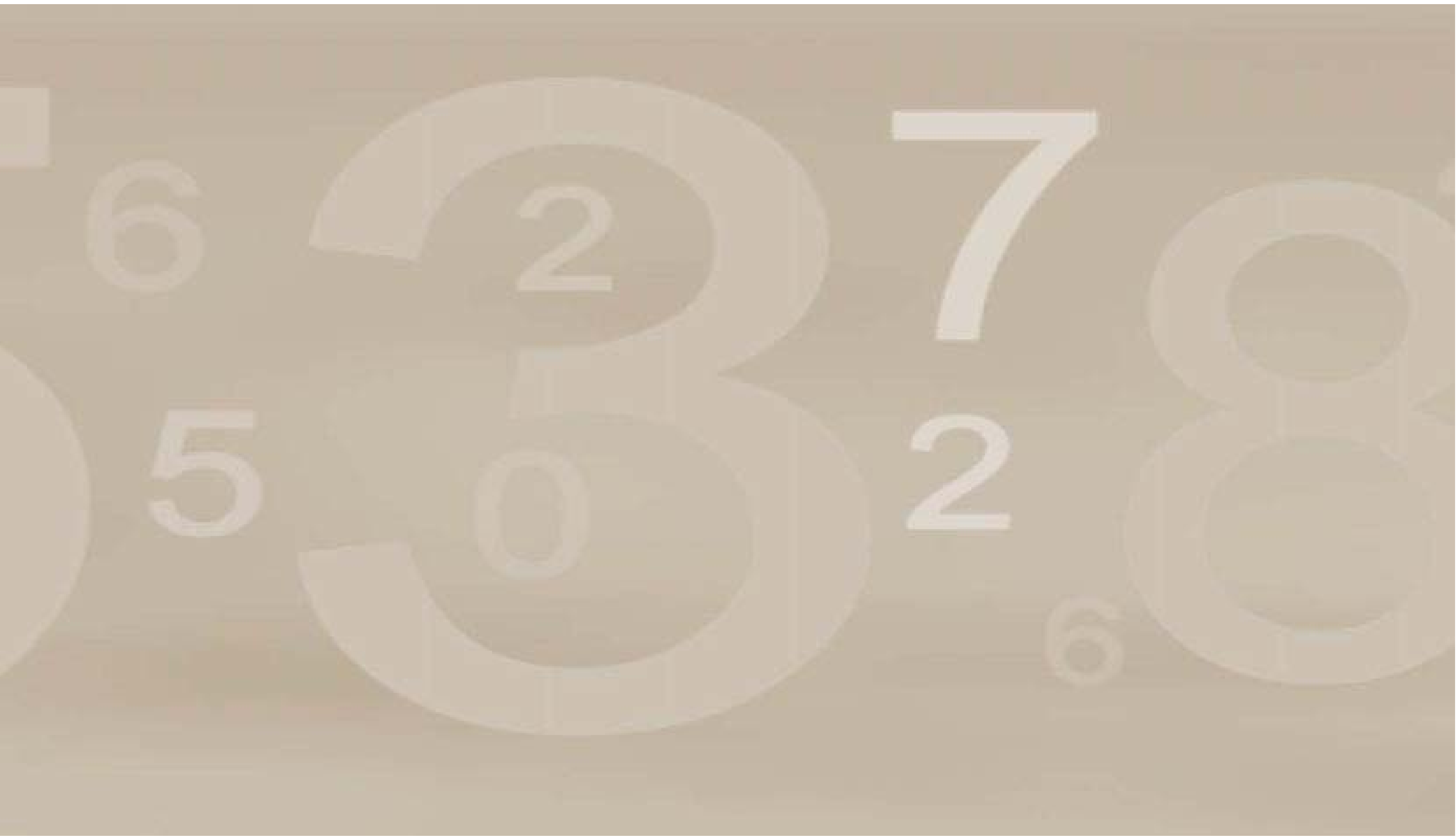
Milan, 22 March 2017

KPMG S.p.A.

(signed on the original)

Luisa Polignano
Director of Audit

Extraordinary session



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Board of Directors' report on the proposal to amend article 5 of the By-Laws of the Company in order to increase the total number of shares (by means of splitting of the shares), without variation of the share capital; resolutions pertaining thereto and resulting therefrom.

***

Dear Shareholders,

With reference to the sole item on the agenda of the extraordinary part of this Shareholders' Meeting, it is submitted to Your approval the proposal to amend the By-Laws currently in force in order to split, with a ratio of 1 (one) to 2 (two), all the shares representing the share capital of the Company, by means of attribution of 2 ordinary newly issued shares for each ordinary share.

At the date of the present Report the subscribed and paid-up capital of the Company is equal to Euro 100,166,937.00, and it consists of 23,816,900 ordinary shares without indication of the nominal value. Therefore, following the stock-split hereby proposed, the share capital will consist of 47,633,800 ordinary shares.

The Board of Directors considers that such transaction, being one of the means to facilitate the exchange of the shares, will allow to increase the volume of trades between investors and could lead to a possible increase of the liquidity of the shares themselves.

It is deemed appropriate the approval of the splitting with a 1:2 ratio in the light of both the ease of the computation and the congruity of the resulting average value with the purpose of the splitting.

In the light of the concurrence with the dividends' payment, scheduled on 10 May 2017, in order not to interfere with the payment process, it is hereby proposed that the resolution of splitting will be effective starting at 0:01 of 15 May 2017.

The proposed stock-split will determine the consequent amendment of the current text of the By-Laws in force, article 5, first paragraph, with substitution of the current figure with the new number of shares. Please find below a comparison between the above mentioned article 5, first paragraph, of the By-Laws of the Company currently in force and article 5 as resulting from the approval of the proposed resolution. It is understood that such article will remain unmodified in any other part.

CURRENT TEXT **Article 5**	**PROPOSAL OF AMENDMENT** **Article 5**
The share capital amounts to euro 100,166,937 (one hundred million one hundred sixty-six thousand nine hundred thirty-seven), divided into 23,816,900 ordinary shares without indication of the nominal value. [OMISSIS]	The share capital amounts to euro 100,166,937 (one hundred million one hundred sixty-six thousand nine hundred thirty-seven), divided in 47,633,800 (forty-seven million six hundred thirty-three thousand eight hundred) ordinary shares without indication of the nominal value. [OMISSIS]

As the shares concerned are in dematerialized form, the crediting of new instruments will not require any activity of the shareholders; the procedure will be automatic and will comply with the modalities to be agreed between the Company and Monte Titoli S.p.A..

The Board of Directors considers that the resolution described in this report shall not constitute ground for the exercise of the right of exit.

***

It is hereby requested to our Shareholders to resolve upon the following resolution:

"The Shareholders' Meeting of Italmobiliare S.p.A.,

- having acknowledged the Chairman of the Board of Directors' proposal;
- examined the Report of the Board of Directors;
- taking into account the current text of article 5 of the By-Laws;

resolves

1 *to increase the total number of the shares, without increasing the amount of the share capital, by splitting of the mentioned shares with a 1:2 ratio, with attribution of two newly issued ordinary shares in place of an ordinary share and, therefore, modifying the total number of the shares that will increase from the current number of 23,816,900 shares (twenty-three million eight hundred sixteen thousand nine hundred) to 47,633,800 (*forty-seven million six hundred thirty-three thousand eight hundred*), effective from 0:01 of 15 May 2017 (subject to the registration of the present resolutions with the Company Registry);*

2 *to amend the first paragraph of article 5 of the By-Laws, having effect from 0:01 of 15 May 2017 (subject to the registration of the resolution with the Company Registry), as follows: "The share capital is of euro 100,166,937 (one hundred million one hundred sixty-six thousand nine hundred thirty-seven), divided into 47,633,800 (forty-seven million six hundred thirty-three thousand eight hundred) ordinary shares without indication of the nominal value", without amendment of any other part of the mentioned article 5;*

3 *to grant the Board of Directors and, therefore, severally to the Chairman or Deputy Chairman or Chief Executive Officer the authorization to delegate, all the powers necessary for the enforcement of the approved resolutions, including the power to indicate, following the agreement with the company managing the market, the initial date of the negotiations of the new shares resulting from the splitting, and for completing all the necessary formalities, including registration with the competent Company Registry of the texts of the By-Laws, as updated after the completion of the splitting; and*

4 *to grant the Board of Directors in the person of the Chairman or Deputy Chairman or Chief Executive Officer, severally, the authorization to delegate, all the powers to proceed with the mandatory public disclosure required by the relevant laws and to amend, delete and supplement the approved resolutions, the text of this minutes and of the annexes hereto, in a non-substantial manner, as it may be necessary in order to register these resolutions in the Company Registry or as requested by the company managing the relevant market."*

***

Milan, 19 April 2017

On behalf of the Board of Directors
Chief Executive Officer
(Carlo Pesenti)

Summary of resolutions

The Annual General meeting, held on 19 April 2017 in Milan, Piazza Belgioioso n. 1, and attended in person and by proxy by 188 shareholders holding a total of 18,740,755 ordinary shares over 23,816,900 outstanding ordinary shares

resolved

A) at the ordinary session

1) •To approve:
- the Board of Directors' management report;
- the 2016 financial statements, consisting of the statement on financial position, income statement and explanatory notes, which reflect a profit of 759,828,743.81 Euro, as presented by the Board of Directors as a whole in the individual accounting entries and with the proposed allocations;

  To allocate the profit for the year 2016 as follows:
  - to the 22,960,151 shares net of the 856,749 savings treasury shares held at 19 April 2017, a dividend of 1,00 Euro per share amounting to a total of 22,960,151.00 Euro;
  - to the translation reserve, the balance of 736,868,592.81 Euro.

- to authorize the Chairman, the Deputy Chairman the Chief Executive Officer - Chief, severally, should the number of ordinary treasury shares change before the dividend date: to increase the caption "Retained earnings" by an amount equivalent to the dividend entitlement of any purchased ordinary shares, and to reduce the caption "Retained earnings" by an amount equivalent to the dividend entitlement of any sold ordinary treasury shares.

2) by issuing its consultative opinion, to agree upon the first section of the Remuneration Report drafted by the Board of directors.

3) to authorize, pursuant to art. 2357 of the Civil Code, the purchase of ordinary treasury shares without indication of the nominal value, having revoked the resolution authorizing the acquisition and disposal of treasury shares adopted by the ordinary Shareholders' Meeting of 21 April 2016 in the amount, against consideration and according to the terms and conditions below:
   - the purchasing can be made once or more times, within 18 months from the resolution date;
   - the purchase price of each share shall not exceed nor be lower than 15% of the average reference share price occurred on the same regulated market in the three sessions preceding each transaction;
   - purchases of treasury shares shall be made within the limits of the distributable earnings and available reserves reflected in the financial statements (including interim financial reporting) approved when the purchase is made;
   - the maximum number of ordinary shares purchased (taking also into consideration the treasury shares already owned by the Company as well as those shares which will be owned by means of the Voluntary Tender Offer) shall not have an overall nominal value, including treasury shares already held as of the date hereof by the company and by the subsidiaries, in excess of one fifth of the share capital;
   - the authorization to dispose of treasury shares is given without time limits.

4) to authorize, for a period of 18 months as of the date of the resolution, the purchase of up to no. 2 million ordinary shares of Italmobiliare S.p.A. (or up to no. 4 million after the effects of the stock split) without indication of the nominal value, to be completed through a partial Voluntary Tender Offer according to the terms and conditions below:
   - purchase price of the treasury shares to be acquired shall be equal to 50 Euro for each share (ex 2016 dividends) tendered to the voluntary tender offer (or to EUR 25 for each share, ex 2016 dividends, after the effects of the stock split), for an overall maximum amount of 100 million Euro
   - purchases shall be made within the limits of the distributable earnings and available reserves reflected in the financial statements (including interim financial reporting) approved when the purchase is made;
   - the authorization to dispose of treasury shares is given without time limits.

5) to establish at 14 the number of members of the Board of Directors during the three-years mandate 2017-19;

Being appointed as Board member

Vittorio Bertazzoni

Giorgio Bonomi

Mirja Cartia d'Asero

Valentina Casella

Sebastiano Mazzoleni

Luca Minoli

Chiara Palmieri

Livia Pomodoro

Carlo Pesenti

Clemente Rebecchini

Antonio Salerno (representing minority shareholder)

Livio Strazzera

Massimo Tononi

Laura Zanetti

Giampiero Pesenti appointed Honorary Chairman by acclamation.

6) to fix, till new Shareholders' resolution, the Board of Directors' remuneration as follows:
   - 36,000 Euro the gross remuneration to be paid to each Board member;
   - 6,000 Euro the gross remuneration to be paid to each Board member for each attendance at meetings of the Executive Committee of the Company;
   - 3,000 Euro the gross remuneration to be paid to each Board member for each attendance at meetings of other Committee of the Company (if any and as applicable);
   - 2,500 Euro the gross remuneration to be paid to each Board member also appointed as member of the Supervisory Board (should this be the case) for each attendance at meetings of the Supervisory Board.

7) to fix the annual compensation of the Chairman of the Board of the Statutory Auditors in 75,000 Euro and in 50,000 Euro the annual compensation for each Acting auditor;

Being appointed as member of the Board of Statutory Auditors

Francesco Di Carlo	Chairman
Angelo Casò	Acting auditor
Luciana Ravicini	Acting auditor
Maria Rachele Vigani	Substitute auditor
Barbara Berlanda	Substitute auditor
Paolo Ludovici	Substitute auditor

8) to approve the 2017-2019 Financial Incentive Plan linked to the performance of the shares of Italmobiliare S.p.A.

B) at the extraordinary session

To approve the stock split with a 1:2 ratio, with attribution of two newly issued ordinary shares without indication of the nominal value in place of an ordinary share, effective from 15 May 2017 (subject to the registration of the resolution with the Company Registry) and to amend accordingly the first paragraph of article 5 of the By-Laws with indication of the new amount of the issued shares, without amendment of any other part of the mentioned article 5.

May 2017
Project of LSVmultimedia
Olginate - Lecco