NICE S.P.A.

CONSOLIDATED AND STATUTORY FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

TheNiceGroup

Nice S.p.A.

Annual Report

as at

31 December 2016

Contents

General Information

Directors, Officers and Company Information

Lauro Buoro (*)	Chairman of the Board of Directors
Roberto Griffa (*)	Chief Executive Officer
Denise Cimolai (*)	Director
Emanuela Paola Banfi	Independent Director
Giorgio Zanutto (*)	Director
Lorenzo Galberti (*)	Director
Antonio Bortuzzo	Independent Director
Chiara Mio (**)	Director

(*) Powers, within the limits established by the law and the Articles of Association and without prejudice to those reserved for the Shareholders' Meeting and the Board of Directors, granted by Board resolution on 22 April 2016.
(**) Functional powers, within the limits established by the law and the Articles of Association and without prejudice to those reserved for the Shareholders' Meeting and the Board of Directors, granted by Board resolution on 13 May 2016.

Board of Statutory Auditors

Giuliano Saccardi	Chairman of the Board of Statutory Auditors
Monica Berna	Serving Auditor
Enzo Dalla Riva	Serving Auditor
David Moro	Alternate Auditor
Manuela Salvestrin	Alternate Auditor

Audit and Risk Committee (*)

Antonio Bortuzzo
Emanuela Paola Banfi

(*) the Audit and Risk Committee carries out also the functions provided for in the Related Parties Regulation

Compensation Committee

Antonio Bortuzzo
Emanuela Paola Banfi

Supervisory Body

Antonio Bortuzzo	Chairman of the Supervisory Body
Alberta Figari	Member
Vittorio Gennaro	Member

Independent Auditors

BDO Italia S.p.A.

Registered offices and corporate details

Nice S.p.A.
Via Pezza Alta 13, Z.I. Rustignè
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Tel: +39 0422 853838
Fax: +39 0422 853585
Share capital Euro 11,600,000.00 fully paid
Tax Code 02717060277
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Investor Relations

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tel: +39 0422 505468

Economic and financial highlights of the Nice Group

Income Statement (thousands of euro)	2016	%	2015	%	Δ %
Revenues	309,062	100.0%	287,761	100.0%	7.4%
Gross profit	164,197	53.1%	156,967	54.5%	4.6%
EBITDA	44,541	14.4%	41,638	14.5%	7.0%
Adjusted EBITDA (1)	***45,677***	***14.8%***	***41,638***	***14.5%***	***9.7%***
Operating profit	28,333	9.2%	33,137		
Adjusted operating profit (2)	***36,558***	***11.8%***	***33,137***	***11.5%***	***10.3%***
Net profit	13,382	4.3%	15,565		
Adjusted net profit (3)	***19,280***	***6.2%***	***15,565***	***5.4%***	***23.9%***
Net results attributable to owners of the parent	13,141	4.3%	15,217		
Adjusted Group net profit (3)	***19,039***	***6.2%***	***15,217***	***5.3%***	***25.1%***

[1] Adjusted to exclude charges incurred to restructure the US operations and costs related to M&A operations totalling Euro 1.1 million.

[2] Adjusted for the elements indicated in note (1) and to exclude the impairment losses recognised on the FontanaArte trademark and the building that houses the operations of FontanaArte, amounting respectively to Euro 5.1 million and Euro 2.0 million, following their measurement at fair value.

[3] Adjusted for the elements indicated in note (2) and the related total tax effect of Euro 2.3 million.

Statement of Financial Position (thousands of euro)	31/12/2016	31/12/2015
Operating capital	62,211	75,809
Fixed assets and other non-current assets	178,246	141,778
Non-current liabilities	(28,146)	(15,535)
Net capital invested	**212,311**	**202,053**
Net financial position (cash)	(5,932)	(541)
- inc. liquid funds	*(70,552)*	*(65,090)*
- inc. financial assets	*(4,781)*	*(4,497)*
- inc. financial liabilities	*69,402*	*69,045*
Shareholders' equity	218,244	202,594
Total sources of funds	**212,311**	**202,053**

Statement of Cash Flows (thousands of euro)	2016	2015
Cash flows generated by operating activities	41,458	23,540
Cash flows absorbed by investing activities	(22,844)	(11,261)
Free Operating Cash Flow	18,613	12,279
M&A	(9,706)	(13,209)
Free Cash Flow	*8,907*	*(930)*
Cash flows absorbed by financing activities	(2,629)	2,793
Effect of currency fluctuations on liquid funds	(817)	1,249
Cash flow during the year	*5,462*	*3,111*
Liquid funds, start of year	**65,090**	**61,978**
Liquid funds, end of year	**70,552**	**65,090**

The alternative performance indicators are not calculated in compliance with the accounting standards used to prepare the audited financial statements and might not take account of the recognition, measurement and presentation requirements of those standards.

The alternative performance indicates are described below:

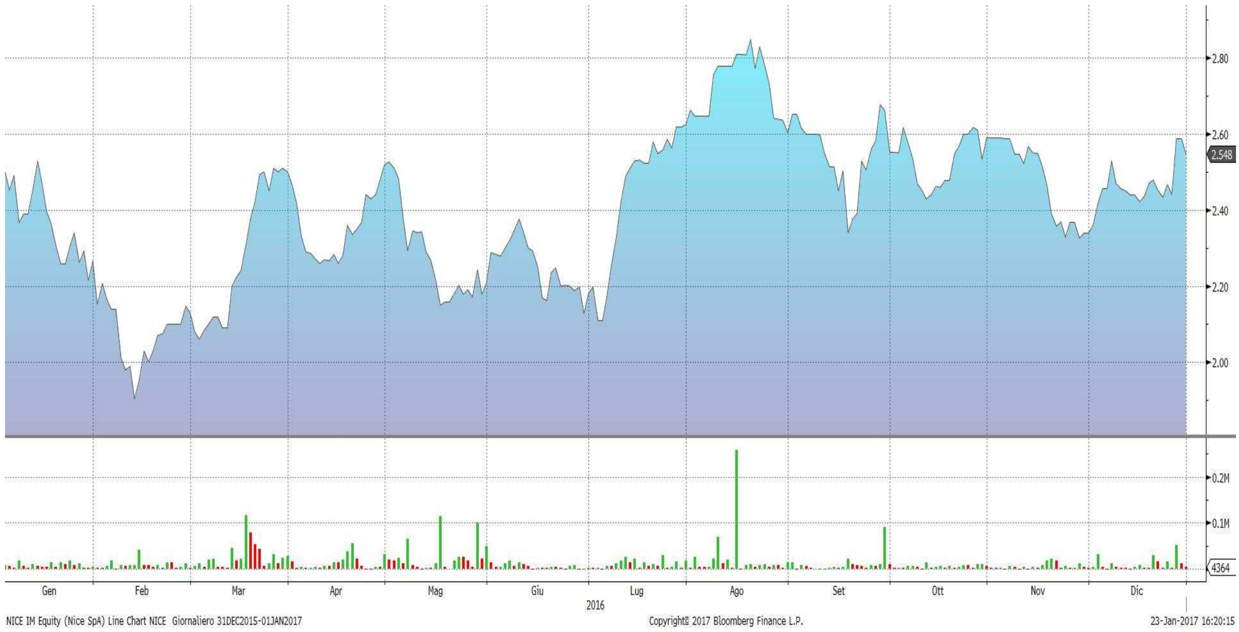
- “Gross Profit” is defined as the difference between revenues and the cost of sales (being purchases of basic components, outsourced processing and change in inventories).
- “EBITDA” is defined as earnings (net profit) before interest, taxation, depreciation and amortisation.
- “Operating capital” is defined as the sum of inventories, trade receivables, tax receivables, other current assets, trade payables, tax payables (due within 12 months) and other current liabilities, that relate to ordinary operations.
- “Net capital invested” is defined as the sum of operating capital (as defined above), fixed assets, other non-current assets and non-current liabilities (excluding long-term loans).
- As financial structure indicators, net borrowing or the net financial position are defined as the sum of current and non-current financial payables, net of cash and cash equivalents.
- “Free cash flow” is defined as the sum of the cash flows generated/(absorbed) by operating activities and the cash flows generated/(absorbed) by investing activities.

Report on Operations

This report on operations has been prepared by the directors to accompany both the Separate and the Consolidated Financial Statements for the year ended 31 December 2016, as allowed by art. 1, para. 5 d) of Decree 32 dated 2 February 2007.
Despite the unsteable macroeconomic environment, management believes that there is no uncertainty about the ability of the Group to continue as a going concern, given its significant profitability and sound financial position.

Share performance

The performance of the Nice share price during 2016 is shown below.



As at 31 December 2016, the Nice share price is Euro 2.55 and the corresponding market capitalisation is Euro 295,568,000.

The following table summarises the main share and stock market data for 2016 (source: Bloomberg):

Share and stock market data	2016
Price as at 30/12/2016	€ 2.55
Maximum price in 2016 (19/08/2016)	€ 2.85
Minimum price in 2016 (11/02/2016)	€ 1.90
Market capitalisation as at 30/12/2016	295,568,000
Average no. of shares outstanding	110,664,000
No. of issued shares	116,000,000

Control of the Company

As at 31 December 2016, Nice Group S.p.A. directly owns 69.99% of the share capital of Nice S.p.A..
Nice Group S.p.A., with registered offices in Oderzo (Province of Treviso) – Italy, is a holding company owned by Lauro Buoro (68.42%). The remaining 31.58% is held by Nice Group S.p.A. in the form of treasury shares.
The financial statements of Nice Group S.p.A. are available from its registered offices at Via Pezza Alta 13 - Oderzo (Province of Treviso).
The financial statements of Nice S.p.A. are available on the website www.niceforyou.com, in the Investor Relations section.

Shares held by Directors and Statutory Auditors

As at 31 December 2016, directors and statutory auditors held, directly or indirectly, a total of 87,685,495 shares in Nice S.p.A., as analysed below:

Name and surname	No. of shares held as at 01/01/2016	No. of shares bought in 2016	No. of shares held as at 31/12/2016	Nature of possession
Lauro Buoro - via Nice Group SpA	80,879,583	313,512	81,193,095	owned
Lauro Buoro - Nice SpA treasury shares	5,336,000	-	5,336,000	owned
Lorenzo Galberti	1,144,400	-	1,144,400	owned
Giorgio Zanutto	7,000	-	7,000	owned
Denise Cimolai	5,000	-	5,000	owned
Total	**87,371,983**	**313,512**	**87,685,495**	

Transactions with related parties

Nice S.p.A. is a subsidiary of Nice Group S.p.A., an Italian company.
The Group carries out the following transactions with related parties:

- Nice Group S.p.A.: property lease and receivables deriving from membership of the domestic tax group;
- Nice Immobiliare S.r.l.: property leases and renovation of a building;
- Nice Real Estate SL: property lease to Nice Automatismos Espana S.A.;
- Nice Real Estate SRL: property lease to S.C. Nice Romania S.A. and financial payable to S.C. Nice Romania S.A.;
- Dorado Srl: a company owned by Giuseppe Mallarino, who is also the CEO of Silentron S.p.A.; property lease to Silentron S.p.A.;
- Companies linked to the non-controlling owners of Nice Home Automation CJSC: trade relations with Nice Home Automation CJSC and Nice S.p.A.;
- Fly Nice: consortium established by Nice S.p.A. and other companies owned by Lauro Buoro, which provides air transport services to consortium members. The Fly Nice consortium was put into liquidation on 22 December 2016;
- Fattoria Camporotondo S.agr.s.: supply of wine products. This company is indirectly owned by Lauro Buoro, who is also the Chairman of Nice S.p.A.;
- Modular Professional S.r.l.: supply of production materials and purchase of certain fixed assets. This company is indirectly owned by Lauro Buoro, who is also the Chairman of Nice S.p.A.;
- SCI New Real: property lease to Nice France S.a.S.. Lauro Buoro, who is also the Chairman of Nice S.p.A., has an equity interest in this company, as does another director of the Group;

- Italian Creation Group S.p.A. (ICG): lease of property to FontanaArte S.p.A., a subsidiary of ICG, used for production, offices and warehousing, and service contract covering Administration and Finance, Credit Management, Information Technology, Purchasing, Planning, Logistics and Customer Relations. Nice Group S.p.A. has an equity interest in this company, therefore, is indirectly owned by Lauro Buoro, who is also the Chairman of Nice S.p.A..

Sales and purchases among related parties take place at current market prices. As at 31 December 2016, the Group has not recorded any allowances for doubtful accounts in relation to the amounts due from related parties.
This assessment is made each year by examining the financial position of related parties and the markets in which they operate.
The economic and financial transactions that took place with related parties during 2016 are described in the explanatory notes.

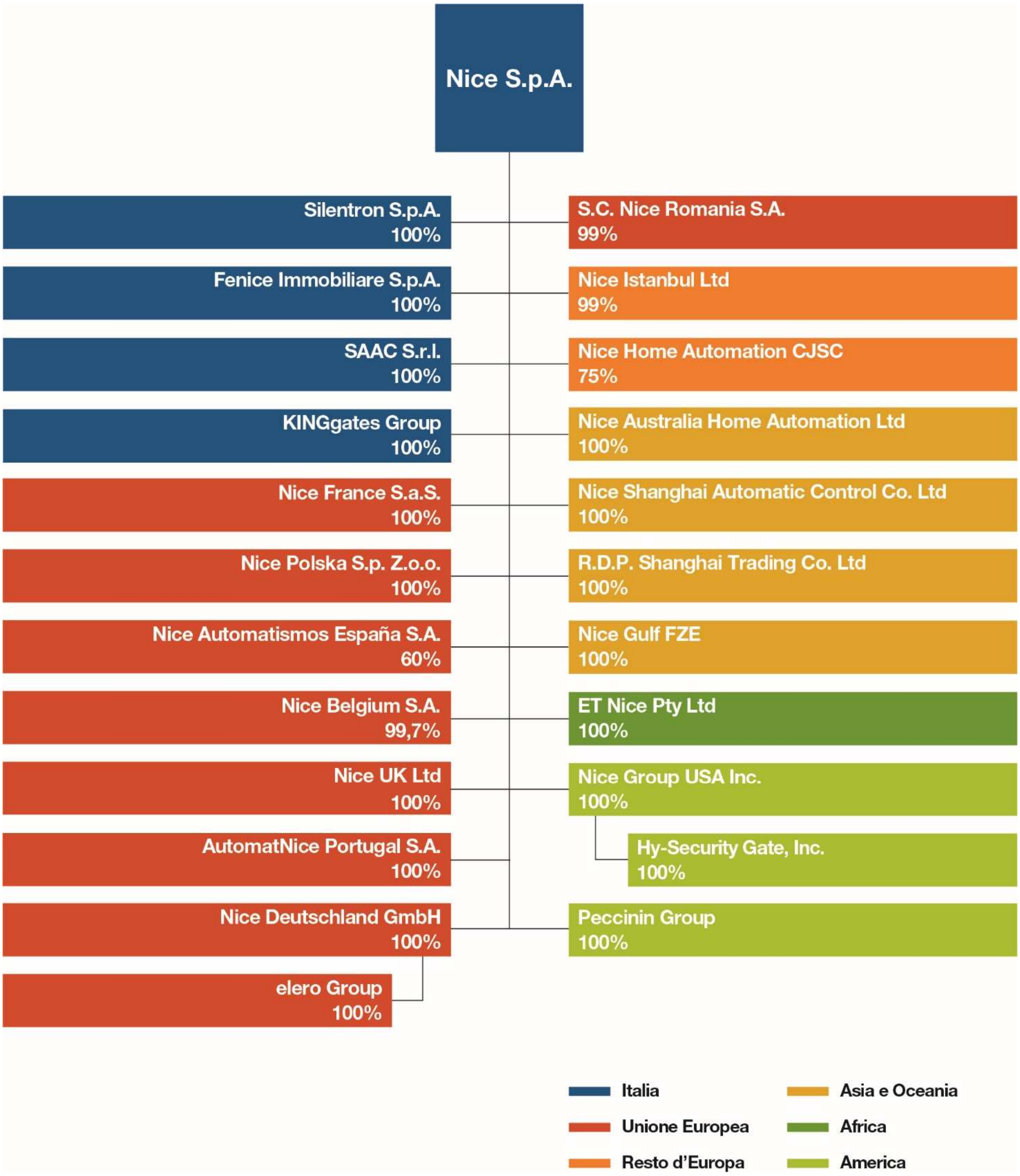
Activities of the Group

Nice is active in the design, production and marketing of Home and Building Automation systems. These systems automate the gates of residential, commercial and industrial buildings, garage doors and road barriers, as well as awnings, rolling shutters, solar screens and alarm systems. The various systems can be integrated and controlled using a single remote control device.

Group structure

The corporate structure of the Nice Group as at 31 December 2016 is presented below. The Group operates via 30 companies, detailed in the attachments, located as follows:

- *Italy*: Nice S.p.A., Silentron S.p.A., Saac S.r.l., King Gates S.r.l., Fenice Immobiliare S.p.A.;
- *European Union:* Nice France Sas, Nice Automatismos Espana S.A., Nice UK Ltd, Nice Belgium S.A., Nice Polska S.p. Z.o.o., Nice Deutschland GmbH, S.C. Nice Romania S.A., AutomatNice Portugal S.A., elero GmbH, elero AB, King Gates France SAS;
- *Rest of Europe*: Nice Istanbul Ltd, Nice Home Automation CJSC;
- *Asia and Pacific Basin*: Nice Shanghai Automatic Control Ltd, R.D.P. Shanghai Trading Ltd, Nice Australia Home Automation Ltd, elero Motors & Controls Pvt. Ltd., elero Singapore Pte. Ltd., Nice Gulf FZE;
- *Americas:* Nice Group USA Inc., Hy-Security Gate, Inc., Peccinin Portoes Automaticos Industrial Ltda, Genno Tecnologia LTDA, Omegaport Equipamentos de Seguranca LTDA;
- *Africa:* ET Nice (PTY) LTD.


Nice S.p.A.
Silentron S.p.A. 100%
Fenice Immobiliare S.p.A. 100%
SAAC S.r.l. 100%
KINGgates Group 100%
Nice France S.a.S. 100%
Nice Polska S.p. Z.o.o. 100%
Nice Automatismos España S.A. 60%
Nice Belgium S.A. 99,7%
Nice UK Ltd 100%
AutomatNice Portugal S.A. 100%
Nice Deutschland GmbH 100%
elero Group 100%
S.C. Nice Romania S.A. 99%
Nice Istanbul Ltd 99%
Nice Home Automation CJSC 75%
Nice Australia Home Automation Ltd 100%
Nice Shanghai Automatic Control Co. Ltd 100%
R.D.P. Shanghai Trading Co. Ltd 100%
Nice Gulf FZE 100%
ET Nice Pty Ltd 100%
Nice Group USA Inc. 100%
Hy-Security Gate, Inc. 100%
Peccinin Group 100%
Italia
Unione Europea
Resto d'Europa
Asia e Oceania
Africa
America

Comments on economic and financial results

Operating performance – Group economic results

The consolidated income statement for 2016, classified in the operational format used by the Nice Group, is presented below on a comparative basis:

(thousands of euro)	**2016**	**%**	**2015**	**%**	**Δ %**
Revenues	**309,062**	**100.0%**	**287,761**	**100.0%**	**7.4%**
Cost of sales	(144,865)	-46.9%	(130,794)	-45.5%	
Gross profit	**164,197**	**53.1%**	**156,967**	**54.5%**	**4.6%**
Industrial costs	(9,731)	-3.1%	(9,590)	-3.3%	
Marketing costs	(9,521)	-3.1%	(10,027)	-3.5%	
Selling costs	(15,101)	-4.9%	(14,711)	-5.1%	
General costs	(25,401)	-8.2%	(25,353)	-8.8%	
Payroll costs	(59,902)	-19.4%	(55,648)	-19.3%	
Total operating costs	**(119,656)**	**-38.7%**	**(115,329)**	**-40.1%**	
EBITDA	**44,541**	**14.4%**	**41,638**	**14.5%**	**7.0%**
Adjusted EBITDA (1)	***45,677***	***14.8%***	***41,638***	***14.5%***	***9.7%***
Depreciation and amortisation	(16,208)	-5.2%	(8,501)	-3.0%	
EBIT	**28,333**	**9.2%**	**33,137**	**11.5%**	
Adjusted EBIT (2)	***36,558***	***11.8%***	***33,137***	***11.5%***	***10.3%***
Financial management and other costs	(2,710)	-0.9%	(4,189)	-1.5%	
Pre-tax profit	**25,623**	**8.3%**	**28,948**	**10.1%**	
Taxes	(12,241)	-4.0%	(13,383)	-4.7%	
Net profit	**13,382**	**4.3%**	**15,565**	**5.4%**	
Adjusted net profit (3)	***19,280***	***6.2%***	***15,565***	***5.4%***	***23.9%***
Results attributable to non-controlling interests	241	0.1%	348	0.1%	
Results attributable to owners of the parent	**13,141**	**4.3%**	**15,217**	**5.3%**	
Adjusted Group net profit (3)	***19,039***	***6.2%***	***15,217***	***5.3%***	***25.1%***
Tax rate	*47.8%*		*46.2%*		

(1) Adjusted to exclude the non-recurring charges incurred to restructure the US operations and costs related to M&A operations totalling Euro 1.1 million.
(2) Adjusted for the elements indicated in note (1) and to exclude the impairment losses recognised on the FontanaArte trademark and the building that houses the operations of FontanaArte, amounting respectively to Euro 5.1 million and Euro 2.0 million, following their measurement at fair value.
(3) Adjusted for the elements indicated in note (2) and the related total tax effect of Euro 2.3 million.

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, the alternative performance indicators are defined in the “Economic and financial highlights of the Nice Group” section of this report.

Non-recurring expenses

(thousands of euro)	EBITDA	EBIT	Net profit	Net results attributable to owners of the parent
Income statement indicators	***44,541***	***28,333***	***13,382***	***13,141***
Trademark impairment	-	5,089	5,089	5,089
Impairment of property, plant and equipment	-	2,000	2,000	2,000
Business acquisition and reorganisation charges	1,136	1,136	1,136	1,136
Tax effect of non-recurring expenses	-	-	(2,327)	(2,327)
Income statement indicators before non-recurring expenses	***45,677***	***36,558***	***19,280***	***19,039***

"Non-recurring expenses" are defined as expenses not related to day-to-day operations. The Group incurred non-recurring expenses totalling Euro 5,898 thousand in 2016. These related to the restructuring of the US operations and to measurement of the building complex and net assets of the lighting business at their estimated realisable value, rather than their value in use. See the section on "Activities sold during the year" for further information.

EBITDA for the year ended 31 December 2016 was Euro 44,541 thousand, while adjusted EBITDA was Euro 45,677 thousand. The adjustment excludes the charges incurred to restructure the US operations and costs related to M&A operations totalling Euro 1,136 thousand.

EBIT for the year ended 31 December 2016 amounted to Euro 28,333 thousand, while adjusted EBIT was Euro 36,558 thousand. In addition to the above, the adjustment also excludes the impairment loss of Euro 5,089 thousand recognised on the FontanaArte trademark and the write-down of the building that houses the operations of FontanaArte by Euro 2,000 thousand. This building is now measured at fair value, rather than its value in use, following its reclassification as an investment property that is no longer used operationally by the Group.

The Group net profit for the year ended 31 December 2016, Euro 13,141 thousand, includes the tax effect of the above non-recurring expenses, Euro 2,327 thousand. Group net profit before non-recurring expenses was Euro 19,039 thousand.

Consolidated revenues

The 2016 sales of the Nice Group totalled Euro 309,062 thousand, up by 7.4% at current exchange rates and by 9.3% at constant exchange rates with respect to 2015, following generalised growth in the principal markets.

The sales of the Home and Building Automation business without FontanaArte, which was sold with effect from Q4 2016, amounted to Euro 299,528 thousand in 2016 compared with Euro 274,887 thousand in 2015, following a 9.0% rise at current exchange rates and an 11.0% rise at constant exchange rates.

Geographical Sales Breakdown

(thousands of euro)	2016	%	2015	%	Δ %	Δ % (2)
France	41,556	13.4%	40,079	13.9%	3.7%	3.7%
Italy	36,268	11.7%	36,657	12.7%	-1.1%	-1.1%
Europe 15 (1)	86,051	27.8%	81,353	28.3%	5.8%	6.6%
Rest of Europe	55,003	17.8%	53,677	18.7%	2.5%	6.1%
Rest of the world	90,184	29.2%	75,995	26.4%	18.7%	22.5%
Total Revenues	**309,062**	**100.0%**	**287,761**	**100.0%**	**7.4%**	**9.3%**

(1) Excluding France and Italy

(2) At constant exchange rates

Geographical Sales Breakdown - Home and Building Automation business[1]

(thousands of euro)	2016	%	2015	%	Δ %	Δ % (2)
France	40,304	13.5%	38,356	14.0%	5.1%	5.1%
Italy	32,484	10.8%	31,665	11.5%	2.6%	2.6%
Europe 15 (1)	83,959	28.0%	78,821	28.7%	6.5%	7.4%
Rest of Europe	54,487	18.2%	52,895	19.2%	3.0%	6.7%
Rest of the world	88,294	29.5%	73,151	26.6%	20.7%	24.7%
Total Revenues	**299,528**	**100.0%**	**274,887**	**100.0%**	**9.0%**	**11.0%**

(1) Excluding France and Italy

(2) At constant exchange rates

Below is a breakdown of the performance of the Home and Building Automation business.

In 2016, sales in France, accounting for 13.5% of the Group's sales, amounted to Euro 40,304 thousand and showed an increase of 5.1% compared to 2015.

Sales in Italy amounted to Euro 32,484 thousand, up 2.6% from the previous year.

Sales in Europe-15 in 2016 amounted to Euro 83,959 thousand, up 6.5% at current exchange rates and 7.4% at constant exchange rates compared to the prior-year period.

Sales in the Rest of Europe in 2016 totalled Euro 54,487 thousand, rising 3.0% at current exchange rates and 6.7% at constant exchange rates compared to 2015.

The Rest of the World, accounting for 29.5% of Group sales, was up 20.7% at current exchange rates and up 24.7% at constant exchange rates, posting Euro 88,294 thousand in sales

[1] The 2015 and 2016 results are adjusted excluding sales by operating unit FontanaArte in the past two years.

Profitability Indicators

Gross profit (difference between revenues and cost of sales) totalled Euro 164,197 thousand in 2016, up by 4.6% from Euro 156,967 thousand in 2015. The margin on sales was 53.1%, compared with 54.5% in 2015.

Adjusted EBITDA[2] totalled Euro 45,677 thousand in 2016, up from Euro 41,638 thousand in 2015. The margin on sales increased from 14.5% to 14.8%.

The loss from financial management was Euro 2,710 thousand in 2016, having improved from Euro 4,189 thousand in 2015. This change was principally due to the effect of translating receivables and payables not denominated in Euro.

Adjusted Group net profit[3] totalled Euro 19,039 thousand in 2016, compared with Euro 15,217 thousand in 2015.

Operating performance – Financial position

Operating capital amounts to Euro 62,211 thousand as at 31 December 2016, compared with Euro 75,809 thousand as at 31 December 2015. This parameter has benefited from the operational containment efforts made, as well as from the effects of the non-recurring action taken during the year.

Certain consolidated cash flow data is presented below:

(thousands of euro)	2016	2015
Net profit	13,382	15,565
Depreciation, amortisation and other non-monetary changes	15,997	11,064
Change in operating capital	12,079	(2,721)
Cash flows generated by operating activities	**41,457**	**23,908**
Investment	(22,844)	(11,261)
Free operating cash flow	**18,612**	**12,647**
Acquisitions/Disposals	(9,706)	(13,209)
Free cash flow	**8,906**	**(562)**
Net financial position of acquired companies	(299)	986
Residual debt for acquisitions	-	(2,168)
Payment of dividends	(7,780)	(5,257)
Other changes	4,563	(4,012)
Sub-total	**(3,516)**	**(10,451)**
Change in net financial position	**5,390**	**(11,014)**
Opening net financial position	**541**	**11,555**
Closing net financial position	**5,932**	**541**

[2] Adjusted to exclude charges incurred to restructure the US operations and costs related to M&A operations totalling Euro 1.1 million

[3] Adjusted for the elements indicated in note (1) and to exclude the impairment loss recognised on the FontanaArte trademark and the write-down to fair value of the building that houses the operations of FontanaArte, amounting respectively to Euro 5.1 million and Euro 2.0 million, net of the related tax effect totalling Euro 2.3 million

The free operating cash flow for the year was Euro 18,612 thousand, compared with Euro 12,647 thousand in 2015.

The Group's net financial position as at 31 December 2016 and 31 December 2015 is presented below:

(thousands of euro)	31/12/2016	31/12/2015
A. Cash	33	25
B. Other liquid funds	70,519	64,909
C. Shares held for trading	-	-
D. Liquidity (A) + (B) + (C)	**70,552**	**64,934**
E. Current financial receivables	1,268	984
F. Current bank loans	(8,839)	(695)
G. Current portion of non-current debt	(5,342)	(6,700)
H. Other current financial payables	(142)	(141)
I. Current borrowing (F) + (G) + (H)	**(14,323)**	**(7,536)**
J. Net liquidity (I) + (E) + (D)	**57,497**	**58,382**
Non-current financial receivables (*)	3,513	3,513
K. Non-current bank loans	(55,058)	(60,206)
L. Bonds issued	-	-
M. Other non-current payables	(21)	(1,148)
N. Non-current borrowing (K) + (L) + (M) (**)	**(51,565)**	**(57,841)**
O. Net financial position (J) + (N)	**5,932**	**541**

(*) Non-current financial receivables are included in the "Other non-current assets" caption of the "Consolidated statement of financial position".

(**) Non-current borrowing includes non-current financial receivables.

The Group's net financial position of Euro 5,932 thousand has improved from Euro 541 thousand as at 31 December 2015. This parameter was influenced by the acquisition of Hy-Security Gate Inc. for Euro 24.3 million on 5 July 2016, as well as by the sale of the FontanaArte line of business, which was completed on 14 October 2016 with the collection of Euro 15.0 million. In addition, the Group invested Euro 22,844 thousand in property, plant and equipment during 2016, compared with Euro 11,261 thousand in 2015.

The shareholders' equity and net profit of Nice S.p.A. are reconciled below with the corresponding consolidated amounts as at 31 December 2016 and 2015:

(thousands of euro)	Shareholders' equity 31/12/2016	Net profit 2016	Shareholders' equity 31/12/2015	Net profit 2015
Shareholders' equity and net profit reported in the Parent company's financial statements	**229,755**	**12,355**	**225,193**	**16,299**
Elimination of the carrying amount of consolidated equity investments:				
- difference between carrying amount and equity	(81,517)	-	(74,778)	-
- earnings	-	7,359	-	7,016
- goodwill	73,650	-	46,216	-
- other intangible assets	885	-	11,353	-
Elimination of the effects of transactions among consolidated companies:				
- intercompany profits included in closing inventories	(4,160)	537	(4,764)	(160)
- intercompany dividends	-	(1,810)	-	(7,669)
Other transactions	(369)	(5,059)	(625)	79
Shareholders' equity and net profit reported in the consolidated financial statements	**218,244**	**13,382**	**202,595**	**15,565**

Other information

Research and development

As part of the continuous technological enhancement of products and production processes, aimed at improving technical features, product functionality and safety, a number of innovations have been made. The programme of innovation involved planned research, investigations and the creation of non-commercial prototypes, followed by analysis and tests to verify the quality and functional features of the new products, having regard for the various applicable Italian and European regulations. The implementation of this programme subsequently led to the identification of new models and/or products, or to technological and/or functional improvements of certain details.

The innovation and research work carried out during 2016 incurred costs on projects relating to new products or substantial changes to existing products, as well as to new production and organisational processes.

The Group incurred R&D costs totalling Euro 8,747 thousand in 2016, of which Euro 5,213 thousand related to payroll costs. Part of the above development costs, Euro 1,711 thousand, was capitalised during the year.

Treasury shares

Pursuant to art. 2428, para. II no. 3 of the Italian Civil Code, it is confirmed that the Group hold 5,336,000 treasury shares as at 31 December 2016. The total investment was Euro 20,771 thousand.
No treasury shares were bought or sold during 2016.

List of the Company's secondary offices

Pursuant to art. 2428 of the Italian Civil Code, the Company's secondary offices are listed below:

Via Callalta, Oderzo (Province of Treviso):	- building used for the storage of raw materials and finished products;
	- building used as the Company's administrative and management offices.
Via Anagnina, Rome:	- secondary office
Via Boccioni, Monza:	- secondary office

Information on the ownership structure and compliance with codes of conduct

The information required by art. 123-bis of Decree 58 dated 24 February 2008 and subsequent amendments and additions (TUF) is provided in the "Report on Corporate Governance and the ownership structure as at 31.12.2016", filed together with this report at the Company's registered offices, transmitted to the official storage mechanism, eMarket Storage (www.emarketstorage.com), and published in the Company's website (www.niceforyou.com) in the section on Investor Relations, Corporate Governance, Reports on Corporate Governance.

Security and protection of personal data

A Security Policy Statement (DPS) is required by art. 34 of Decree 196/2003 and the related technical specifications, as the minimum mandatory security measure if "sensitive" or "judicial" data is processed using electronic equipment.
Nice S.p.A. processes sensitive (and/or judicial) data using electronic equipment as part of the maintenance of its employee records.
Following the enactment of Decree 5 dated 9 February 2012 (the so-called Simplification decree) by Law 35 dated 4 April 2012, the controllers of sensitive and judicial data processed using electronic equipment are no longer required to prepare and update a Security Policy Statement (DPS).
Nonetheless, since the other obligations envisaged by Decree 196/03 are still in force, the Company has prepared a document called "policy privacy" so that it can formally certify that each data controller complies with these regulatory requirements.

Principal risks and uncertainties to which Nice S.p.A. and the Nice Group are exposed

The most significant risks to which the Company and the Nice Group are exposed are listed below.
The Group is exposed to certain operational risks connected to its business, the principal of which are summarised below:

- *Intellectual property risks:* Nice routinely protects its trademarks and patents, as well as its industrial know-how. However it is not possible to eliminate the risk that patents and products may be counterfeited.
- *Risks connected to technological innovation and the development of new products:* Nice Group business focuses constantly on technological innovation. Despite this, competitors might in future produce and market automation systems that are technologically more advanced or, in any case, more in line with market trends than those of the Nice Group.
- *Exchange-rate risk:* Nice operates in various markets and its internationalisation requires transactions to be

carried out in currencies other than the Euro. For this reason, any loss in the value of non-Euro currencies might affect the results of the Group.

- *Credit risk:* The Group only does business with known and reliable customers. Group policy is to check the credit worthiness of customers that request extended payment terms. In addition, receivables are monitored during the year so that the exposure to possible losses is not significant. Lastly, in the case of new customers not operating in the European Union, the Group usually requests and obtains letters of credit. The maximum credit risk relating to the Group's other financial assets, which include liquid funds, is limited to their carrying amount if the counterparty becomes insolvent.

Finally, the existence of uncertain macroeconomic conditions, such as at present, could adversely affect the performance of the Group and the sectors in which it operates.

Information on the environment and personnel

The Nice Group operates in compliance with national and international best practices, in an effort to prevent risk and minimise the environmental impact of its activities. Furthermore, the Nice Group has always paid particular attention and dedicated great effort to issues concerning employee safety.
No significant work-related accidents have occurred within the Nice Group and there are currently no known risks of occupational diseases.

Subsidiaries established and governed by the laws of countries not belonging to the European Union

The Board of Directors confirms that the listing conditions specified in art. 36 of Consob Regulation 16191/2007 (Market Regulation) are in place. In this regard, the following subsidiaries established and governed by the laws of countries not belonging to the European Union are deemed significant as at 31 December 2016 pursuant to art. 36, para. 2 of the Market Regulation (which refers to art. 151 of the regulation adopted by Consob resolution 11971/1999 and subsequent amendments): Nice Home Automation CJSC (Russia), Nice Group Usa, Inc. (USA), Hy-Security Gate, Inc. (USA) and Peccinin Portoes Automaticos Industrial Ltda (Brazil).
In particular, in relation to the above subsidiaries, the Board of Directors confirms that:

a) Pursuant to art. 36, para. 1 letter a) of the Market Regulation, the income statements and the statements of financial position of the above subsidiaries are available to the public at the Company's registered offices;
b) Pursuant to art. 36, para. 1 letter b) of the Market Regulation, the Articles of Association, structure and powers of the relevant corporate bodies are available to Nice S.p.A.;
c) Pursuant to art. 36, para. 1 letter c) of the Market Regulation, it has been ascertained that:
    - they have provided to the auditors of the parent company the information required by the latter in order to audit the annual and interim accounts of the parent company;
    - their administration and accounting systems enable them to provide to the management and auditors of the parent company the economic and financial information needed for the preparation of the consolidated financial statements.

Subsequent events

No significant events have occurred subsequent to 31 December 2016.

Outlook for the future

Despite the unstable macroeconomic scenario, the results achieved by the Nice Group during 2016 and the confirmed ability to generate cash flows allow the Group to pursue the major investment and development plans already activated. This work will ensure lasting, sustainable and profitable growth, with a strong focus on the Home and Building Automation business.

Proposed resolutions

Shareholders,

In concluding our report, we hereby propose:

- approval of the financial statements as at 31 December 2016;
- allocation of the net profit of Nice S.p.A., Euro 12,354,911.57, as follows:
    1. payment to the shareholders of a gross dividend of Euro 0.1 for each of the 110,664,000 shares outstanding (excluding the treasury shares held by Nice as at 31 December 2016), for a total of Euro 11,066,400.00
    2. transfer to the reserve for unrealised exchange gains of Euro 1,227,067
    3. transfer to the extraordinary reserve of the remaining amount of Euro 61,444.57.

Oderzo, 14 March 2017.

For the Board of Directors

The Chairman

Lauro Buoro

Consolidated financial statements as at 31 December 2016

Consolidated statement of financial position as at 31 December 2016 and 31 December 2015 *

(thousands of euro)	31/12/2016	31/12/2015	Notes
ASSETS			
Non-current assets			
Intangible assets	113,979	86,894	(2)
Property, plant and equipment	42,721	41,804	(3)
Investment property	8,525	-	(3)
Other non-current assets	5,609	3,917	(4)
Deferred tax assets	10,926	12,675	(5)
Total non-current assets	**181,759**	**145,290**	
Current assets			
Inventories	62,598	69,548	(6)
Trade receivables	56,726	56,587	(7)
Other current assets	3,584	4,635	(8)
Tax receivables	8,139	9,948	(9)
Other current financial assets	1,268	984	(10)
Liquid funds	70,552	65,090	(11)
Total current assets	**202,866**	**206,792**	
Total assets	**384,626**	**352,082**	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	11,600	11,600	
Legal reserve	2,320	2,320	
Share premium account	32,179	32,179	
Treasury shares	(20,771)	(20,771)	
Retained earnings	196,210	188,735	
Translation adjustments	(15,265)	(24,641)	
Net profit for the year	13,141	15,217	
Equity attributable to owners of the parent	**219,412**	**204,639**	
Equity attributable to non-controlling interests	(1,169)	(2,044)	
Total shareholders' equity	**218,244**	**202,595**	(12)
Non-current liabilities			
Provisions for risks and charges	1,997	2,739	(13)
Employee benefits	3,735	1,750	(14)
Long-term loans	55,058	60,206	(15)
Other non-current liabilities	11,249	6,859	(16)
Tax payables (beyond 12 months)	469	296	
Deferred tax liabilities	2,108	5,195	(17)
Total non-current liabilities	**74,616**	**77,044**	
Current liabilities			
Bank overdrafts and loans	14,181	7,395	(18)
Other financial liabilities	142	141	(19)
Trade payables	49,862	46,211	(20)
Other current liabilities	18,829	9,005	(21)
Tax payables (within 12 months)	8,753	9,692	(22)
Total current liabilities	**91,767**	**72,443**	
Total liabilities	**166,383**	**149,487**	
Total liabilities and shareholders' equity	**384,626**	**352,082**	

* Pursuant to Consob resolution 15519 dated 27 July 2006, the effects of transactions with related parties are described in note 39.

Consolidated income statement for the years ended 31 December 2016 and 2015*

(thousands of euro)	2016	2015	Notes
Revenues	**309,062**	**287,761**	(35)
Operating costs:			
Basic components, ancillary materials and consumables	(132,996)	(120,311)	(23)
Services	(61,806)	(59,451)	(24)
Leases and rentals	(8,804)	(8,201)	(25)
Payroll costs	(59,902)	(55,648)	(26)
Other operating costs	(4,821)	(5,607)	(27)
Depreciation and amortisation	(9,119)	(8,501)	(28)
Asset impairment	(7,089)	-	(29)
Other income	3,807	3,095	(30)
Operating profit	**28,333**	**33,137**	
Financial income	3,904	7,009	(31)
Financial expense	(6,614)	(10,774)	(32)
Other charges	-	(424)	(33)
Pre-tax profit	**25,623**	**28,948**	
Income taxes	(12,241)	(13,383)	(34)
Net profit	**13,382**	**15,565**	
Results attributable to non-controlling interests	241	348	
Net results attributable to owners of the parent	**13,141**	**15,217**	

* Pursuant to Consob resolution 15519 dated 27 July 2006, the effects of transactions with related parties are described in note 39.

Consolidated earnings per share	**2016**	**2015**
(thousands of euro)		
Average no. of shares	110,664,000	110,664,000
Net results attributable to owners of the parent	13,141	15,217
Data per share (Euro)		
Basic, net profit attributable to the ordinary shareholders of the parent	0.11874	0.13751
Diluted, net profit attributable to the ordinary shareholders of the parent	0.11874	0.13751

Consolidated statement of comprehensive income for the years ended 31 December 2016 and 2015

(thousands of euro)	**2016**	**2015**
Net profit	**13,382**	**15,565**
Other comprehensive income after taxes never recycled to profit or loss	(68)	(63)
- Actuarial loss on TFR	(68)	(63)
Other comprehensive income after taxes that may be recycled to profit or loss	10,008	(8,985)
- Differences on translation of foreign financial statements	*10,008*	*(8,985)*
Total comprehensive income (loss) after taxes	**23,322**	**6,517**
Attributable to:		
Non-controlling interests	874	128
Shareholders of the parent	22,448	6,389

Consolidated statement of cash flows for the years ended 31 December 2016 and 2015

(thousands of euro)	2016	2015
CASH FLOWS GENERATED BY OPERATING ACTIVITIES:		
Net results attributable to owners of the parent	**13,141**	**15,217**
Net results attributable to non-controlling interests	241	348
Income taxes	12,241	13,383
Depreciation, amortisation and impairment	16,208	9,113
Provision/(release): allowance for doubtful accounts	(411)	515
Provision/(release): inventory allowance	(594)	880
Provision/(release): risks and charges	(335)	312
Provision/(release): of employee benefits	439	2
Fair value measurement of financial instruments	1	(367)
Provision/(release): deferred tax assets/liabilities	689	241
Changes in current assets and liabilities:		
Decrease/(increase): trade receivables	1,573	1,743
Other current assets	1,279	(1,330)
Inventories	5,606	(7,498)
Trade payables	4,889	3,252
Other current liabilities	(2,142)	579
Income taxes paid	(11,366)	(12,851)
Total adjustments and changes	**28,319**	**8,323**
Cash flows generated by operating activities	**41,459**	**23,540**
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Investment in intangible assets	(2,979)	(954)
Investment in property, plant and equipment	(19,866)	(10,307)
Other changes in equity investments	(9,706)	(13,209)
Cash flows absorbed by investing activities	**(32,550)**	**(24,470)**
CASH FLOWS GENERATED/ABSORBED BY FINANCING ACTIVITIES:		
Payment of dividends	(7,780)	(5,257)
Net change in long-term loans	(5,835)	61,202
Net change in short-term loans	6,146	(42,941)
Net change in other financial liabilities	-	(6,515)
Net change in other non-current liabilities	(1,300)	(857)
Net change in long-term tax payables	113	156
Net change in other non-current assets	2,398	(250)
Net change in other financial assets	2,900	5,966
Net interest paid	(3,611)	(3,468)
Translation differences and other equity movements	4,339	(5,246)
Cash flows absorbed by financing activities	**(2,629)**	**2,793**
Effect of currency fluctuations of liquid funds	(817)	1,249
Increase/(decrease) in liquid funds	**5,462**	**3,112**
Liquid funds, start of year	65,090	61,978
Liquid funds, end of year	**70,552**	**65,090**

Consolidated statement of changes in shareholders' equity during the years ended 31 December 2016 and 2015

(thousands of euro)	Share capital	Legal reserve	Share premium account	Treasury shares	Retained earnings	Translation adjustments	Group shareholders' equity	Profit (Loss) attributable to non-controlling interests	Non-controlling interests in capital and reserves	Total shareholders' equity
Balance as at 31 December 2014	**11,600**	**2,320**	**32,179**	**(20,771)**	**194,342**	**(15,876)**	**203,794**	**433**	**(2,604)**	**201,623**
Net results for the year	-	-	-	-	15,217	-	15,217	348	-	15,565
Actuarial loss on TFR	-	-	-	-	(63)	-	(63)	-	-	(63)
Translation difference	-	-	-	-		(8,765)	(8,765)	-	(220)	(8,985)
Comprehensive income	-	-	-	-	**15,154**	**(8,765)**	**6,389**	**348**	**(220)**	**6,517**
Payment of dividends	-	-	-	-	(5,257)	-	(5,257)	-	-	(5,257)
Other changes	-	-	-	-	(288)	-	(288)	-	-	(288)
Balance as at 31 December 2015	**11,600**	**2,320**	**32,179**	**(20,771)**	**203,951**	**(24,641)**	**204,638**	**348**	**(2,391)**	**202,595**
Net results for the year	-	-	-	-	13,141	-	13,141	241	-	13,382
Actuarial loss on TFR	-	-	-	-	(68)	-	(68)	-	-	(68)
Translation difference	-	-	-	-	-	9,375	9,375	-	633	10,008
Comprehensive income	**-**	**-**	**-**	**-**	**13,073**	**9,375**	**22,448**	**241**	**633**	**23,322**
Payment of dividends	-	-	-	-	(7,780)	-	(7,780)	-	-	(7,780)
Other changes	-	-	-	-	106	-	106	-	-	106
Balance as at 31 December 2016	**11,600**	**2,320**	**32,179**	**(20,771)**	**209,350**	**(15,266)**	**219,412**	**241**	**(1,410)**	**218,244**

Explanatory notes - Consolidated financial statements as at 31 December 2016

Company information

Nice S.p.A. is an Italian limited liability company established and located in Oderzo (province of Treviso) – Via Pezza Alta 13, Z.I. Rustignè. Nice S.p.A. is the operating holding company of a group of entities (Nice Group), which is primarily active in the design, production and marketing of automation systems for gates, garage doors, road barriers, rolling shutters, awnings, and access and security systems.

The publication of the consolidated financial statements of Nice S.p.A. for the year ended 31 December 2016 was approved by the Board of Directors on 14 March 2017.

Form and content of the consolidated financial statements

The consolidated financial statements as at 31 December 2016 were prepared in compliance with the International Financial Reporting Standards (IFRS) endorsed by the European Union and in force on the reporting date.

The consolidated financial statements are prepared under the historical cost convention, except that derivative financial instruments are measured at fair value, and on a going concern basis. The carrying amount of assets and liabilities covered by fair value hedges, which otherwise would have been recorded at cost, is adjusted to take account of the changes in fair value attributable to the risks hedged.

The currency unit used is the Euro and, unless otherwise indicated, all amounts are rounded to thousands of Euro.

The amounts used for the consolidation are taken from the financial statements prepared by the directors of the individual subsidiaries. This data is appropriately modified and reclassified, where necessary, for consistency with international accounting standards and the classification criteria adopted by the Group.

Changes in accounting policies

The accounting policies adopted are the same as those used as at 31 December 2015, except for adoption of the following new or revised IFRSs and IFRICs, which were applied for the first time by the Group as from 1 January 2016.

New accounting standards, amendments and interpretations applicable to accounting periods commencing on or after 1 January 2016

Application of the new and amended accounting standards indicated below did not have a significant impact on the consolidated financial statements of the Group.

IFRS 11 Joint Arrangements – Accounting for acquisitions of interests in joint operations

On 6 May 2014, the IASB issued an amendment to IFRS 11 - Joint Arrangements - Accounting for acquisitions of interests in joint operations, regarding the accounting for such acquisitions when the joint operation constitutes a business, as defined in IFRS 3. In these cases, the amendments require application of the principles specified in IFRS 3 for recognising the effects of a business combination.

Annual Improvements to IFRSs - 2010–2012 Cycle.

On 12 December 2013, the IASB issued “Annual Improvements to IFRSs: 2010-2012 Cycle”, which incorporates the amendments to certain standards as part of the annual improvement process. The amendments adopted impact: (i) IFRS 2, clarifying the definition of ‘‘vesting condition’’ and introducing the definitions of conditions of service and results; (ii) IFRS 3, clarifying that obligations that correspond to contingent considerations, other than those covered by the definition of equity instrument, are measured at fair value at each reporting date, with changes recognised in profit or loss; (iii) IFRS 8, requiring information to be disclosed regarding the judgements made by management in the aggregation of operating segments that describes how the segments have been aggregated and the economic indicators that have been evaluated in order to determine that the aggregated segments have similar economic characteristics; (iv) IFRS 13, amending the Basis for Conclusions of that standard to clarify that the issue of IFRS 13, and the consequent amendments to IAS 39 and IFRS 9, do not change the ability to record current trade receivables and payables without recognising the discounting effect, if that effect is not material; (v) IAS 16 and IAS 38, clarifying the procedures for determining the gross carrying amount of assets when a revaluation is determined as a result of the revaluation model; and (vi) IAS 24, establishing the disclosures to be provided when a related party provides personnel services in relation to the key managers of the reporting entity.

Annual Improvements to IFRSs: 2012-2014 Cycle

On 25 September 2014, the IASB issued “Annual Improvements to IFRSs: 2012-2014 Cycle”. Among others, the most important topics addressed in these amendments are: the introduction, in IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, of specific guidelines in case an entity reclassifies an asset from held-for-sale to held-for-distribution (or vice-versa), or when the requirements for the classification of an asset as held-for-distribution are no longer met and the introduction, provided for by IFRS 7 - Financial Instruments: Disclosure and IAS 19 – Employee Benefits, of additional guidelines to clarify whether a servicing contract constitutes continuing involvement in a transferred asset for the purposes of the disclosure required in relation to the transferred assets. The amendments also modify IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 34 - Interim Financial Reporting, which clarify the meaning of the phrase “elsewhere in the interim financial report”.

IAS 27 Equity method in separate financial statements

On 12 August 2014, the IASB issued an amendment to IAS 27 - Equity method in separate financial statements. The amendments clarify that entities can apply the equity method, described in IAS 28 Investments in associates and joint ventures, to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

IAS 16 Property, plant and equipment and IAS 41 Agriculture – “Bearer Plants”

These amendments, issued on 30 June 2014, provide that bearer plants, i.e. fruit trees that will generate annual crops (for example, grape vines, hazelnut trees) must be accounted for in accordance with IAS 16 (rather than IAS 41).

IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – “Clarification of acceptable methods of depreciation and amortisation”

According to these standards, issued on 12 May 2014, revenue-based depreciation and/or amortisation methods are not considered appropriate, since revenue generated by an activity that includes the use of a depreciated asset generally reflects factors other than the consumption of that asset's expected economic benefits, which is - instead - a requirement for depreciation/amortisation.

IFRS 14 – Regulatory Deferral Accounts

This standard, issued on 30 January 2014, allows first-time adopters of the IFRS, and only those, to continue recognising amounts related to Rate Regulated Activities under the accounting standards previously adopted. The European Commission has decided not to endorse this interim standard, but rather to wait for the final standard.
Since the Company/Group is not a first-time adopter, this standard is not applicable.

IAS 1 - Presentation of Financial Statements

The International Accounting Standards Board (IASB) has published the "Disclosure Initiative" (Amendments to IAS 1). The amendments aim to make disclosures more effective and encourage companies to apply professional judgement in determining what information to disclose in their financial statements in accordance with IAS 1.

IAS 19 - Defined Benefit Plans: Employee Contributions

The amendment reduces current service costs for the period by the contributions paid by employees or by third parties that are not related to the number of years of service, instead of allocating these contributions over the period during which the services are rendered.

IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify the scope of application of the exception to consolidation allowed for investment entities.

Accounting standards, amendments and interpretations not yet applicable and/or not adopted early by the Group

IFRS 9 – Financial Instruments

The final version of this standard, issued on 24 July 2014, brings together the three phases (classification and measurement, impairment and hedge accounting) of the IASB's project to replace IAS 39—Financial instruments: recognition and measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. The new standard reduces to three the number of categories of financial asset envisaged by IAS 39 and requires that all financial assets be: (i) classified on the basis of the model that the entity has adopted in order to manage its financial activities and of the cash flows from financing activities; (ii) initially measured at fair value plus any transaction costs, in the case of financial assets not measured at fair value through profit or loss; and (iii) subsequently measured at their value or at amortised cost. IFRS 9 also provides that embedded derivatives which fall within the scope of IFRS 9 must no longer be separated from the primary contract which contains them, and states that the entity may decide to recognise directly in the statement of comprehensive income any changes in the fair value of equity investments that fall within the scope of the IFRS. The new impairment model introduced by IFRS 9 no requires a trigger event to have occurred before impairment losses are recognised and, on the contrary, requires the entity to recognise expected impairment losses at all times and to update the amount of expected impairment losses at each reporting date, in order to reflect the changes in the credit risk of the financial instrument. IFRS 9 contains a three-stage approach to account for impairment losses. How an entity measures impairment losses depends on the specific stage in which the financial assets are found. IFRS 9 aligns more closely the accounting for hedging instruments with risk management activities undertaken by entities in order to reduce and/or eliminate their exposures to financial and non-financial risks. The new model adopted by IFRS 9 enables an entity to use information produced internally as a basis for hedge accounting. IFRS 9 will take effect from 1 January 2018.

IFRS 15 – Revenue from Contracts with Customers

On 28 May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which is intended to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard specifies how and when an IFRS reporter will recognise revenue, as well as requiring the provision of more informative disclosures to the users of financial statements. The standard requires a single principle, based on five-step model, to be applied to all contracts with customers. In particular, the proposed model for revenue recognition will be structured as follows:

a) Identification of the contract with the customer;
b) Identification of the individual performance obligations in the contract;
c) Determination of the transaction price;
d) Allocation of the transaction price to the individual performance obligations;
e) Recognition of revenue consistent with satisfaction of the individual performance obligations.

The satisfaction of the performance obligations and, therefore, the concurrent recognition of the related revenue, takes place when control over the asset/service is transferred. Verification of the transfer of the risks and benefits of owning the asset to be sold, currently required by IAS 18, is no longer relevant for the purposes of revenue recognition. The standard take effect from 1 January 2018, with earlier adoption allowed.

The Group is analysing the above standards and assessing whether their adoption will have a significant impact on the consolidated financial statements.

Accounting standards, amendments and interpretations not yet endorsed by the European Union

IFRS 14 – Regulatory Deferral Accounts

This standard, issued on 30 January 2014, allows first-time adopters of the IFRS, and only those, to continue recognising amounts related to Rate Regulated Activities under the accounting standards previously adopted. Since the Company/Group is not a first-time adopter, this standard is not applicable.

IFRS 16 – Leases

On 13 January 2016, the IASB issued IFRS 16 – Leases which is intended to replace IAS 17 – Leases, as well as IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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

The standard establishes a single lessee accounting model that requires the recognition of the leased asset, including those held under operating leases, as an asset in the statement of financial position together with the matching financial liability. It also establishes that contracts for low-value assets, and leases with a duration of 12 months or less, need not be recognised as leases. By contrast, the standard does not include any significant changes for lessors.

The standard is effective from 1 January 2019, with early adoption allowed solely for early adopters of IFRS 15 - Revenue from Contracts with Customers.

IAS 12 – Recognition of Deferred Tax Assets on Unrealised Losses

The amendments provide clarification about the recognition of deferred tax assets on debt instruments measured at fair value. The new rules apply from 1 January 2017.

IAS 7 – Disclosure initiative

The amendments relate to the disclosures that entities must provide to enable investors to evaluate changes in the liabilities deriving from financing activities. The new rules apply from 1 January 2017.

Amendments to IFRS 2 - Classification and measurement of share-based payment transactions

This document, issued on 20 June 2016, contains amendments to IFRS 2. The amendments provide clarification about how to account for the effects of vesting conditions in the presence of cash-settled share-based payments, how to classify share-based payments with net settlement characteristics and how to account for amendments to the terms and conditions of a share-based payment that change its classification from cash settled to equity settled. The amendments take effect from 1 January 2018, with earlier adoption allowed.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

This document, issued on 12 September 2016, primarily relates to entities whose business predominantly comprises insurance activities. The purpose of the amendments is to clarify the concerns deriving from application of the new IFRS 9 to financial assets.

Annual Improvements to IFRSs: 2014-2016 Cycle

On 8 December 2016, the IASB issued "Annual Improvements to IFRSs: 2014-2016 Cycle", which incorporates the amendments to certain standards as part of the annual improvement process. The principal amendments relate to: (i) IFRS 1, envisaging the elimination of certain short-term exemptions included in paras. E3-E7 of Appendix E to IFRS 1; (ii) IAS 28, whereby the option for a venture capital organisation (or other similar entity) to measure investments in associates and joint ventures at fair value through profit or loss is applied to each investment at the time of initial recognition; (iii) IFRS 12, specifying that the disclosures required by the standard apply to all equity interests that are classified as held for sale, as held for distribution to owners or as discontinued operating activities.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The purpose of this interpretation, issued on 8 December 2016, is to provide guidelines for foreign currency transactions in which non-monetary advances are recognised in the financial statements prior to recognition of the related asset, cost or revenue. This document clarifies how an entity shall determine the transaction date and, therefore, the spot exchange rate to be used in relation to foreign currency transactions that involve advance payments or collections. IFRIC 22 is applicable from 1 January 2018, with earlier adoption allowed.

Amendments to IAS 40 - Transfers of Investment Property

These amendments, issued on 8 December 2016, provide clarification about transfers of property to or from the category of investment property. In particular, an entity must only reclassify a property to or from the investment property category if there is evidence of a change of use of that property. The change must be attributable to a specific event that has occurred and, therefore, must not merely reflect a change in intentions by the management of the entity. The amendments take effect from 1 January 2018, with earlier adoption allowed.

Amendments to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

This document was issued on 11 September 2014 in order to resolve the existing conflict between IAS 28 and IFRS 10. With regard to the sale/contribution of assets or a subsidiary to a joint venture or an associate, the amendments specify that measurement of the profit or loss to be recognised in the financial statements of the seller/contributor depends on whether or not the assets or the subsidiary sold/contributed represent a business, as defined by IFRS 3. If the assets or subsidiary sold/contributed represent a business, the entity must recognise the profit or loss on the entire interest previously held; otherwise, the profit or loss on the interest still held by the entity must be eliminated. At present, the IASB ha suspended application of this amendment.

Significant accounting estimates

The preparation of consolidated financial statements requires directors to make discretionary assessments, estimates and assumptions that influence the amounts reported for revenue, costs, assets and liabilities and contingent liabilities at the reporting date. However, the uncertain nature of these hypotheses and estimates might result in significant adjustments to the reported carrying amounts of assets and liabilities during the coming financial year.

Estimates are used to calculate:

Impairment of intangible assets with an indefinite useful life

The Group checks all intangible assets with an indefinite useful life on each reporting date, to see if there is any evidence of impairment.

More specifically, goodwill and trademarks with an indefinite useful life are checked for possible impairment at least annually, as well as during the year if any such evidence exist. These checks require estimation of the value in use of the cash generating unit to which the cost of the investment and the related goodwill are attributed. In turn, value in use is estimated with reference to the forecast cash flows of the CGU, as discounted to present value using a suitable discount rate. The carrying amount of goodwill is Euro 105,976 thousand as at 31 December 2016 (2015: Euro 66,144 thousand). Following the disposal of the FontanaArte line of business of 14 October 2016, the carrying amount of trademarks as at 31 December 2016 is Euro 33 thousand. Further details are provided in note 2.

Other non-financial assets are tested for impairment each year, if there is evidence that their carrying amount may not be recovered.

Deferred tax assets

Deferred tax assets are recognised in relation to all temporary differences and all tax losses carried forward, to the extent that future taxable income is likely to be sufficient to absorb the reversal of these temporary differences and use the tax losses concerned. The directors are required to exercise considerable discretion when determining the amount of the deferred tax assets that can be recognised. They have to estimate the probable timing of reversal and the amount of future taxable income, as well as devise a tax planning strategy.

Other estimated items

Estimates are also used to determine the allowances for doubtful accounts and inventory obsolescence, as well as the provisions for depreciation and amortisation, employee benefits and risks and charges.

Consolidation principles

The consolidated financial statements include the financial statements of Nice S.p.A., the parent company, and those of the Italian and foreign companies that are directly or indirectly controlled by Nice S.p.A..
The financial statements of subsidiaries are prepared using the same accounting policies as those adopted by the parent company. Consolidation adjustments are made, if necessary, to ensure the consistency of any items affected by the application of different accounting policies. All intercompany balances and transactions, including any unrealised profits deriving from relations among Group companies, are eliminated in full.
The consolidation principles include the elimination of equity investments and the combination of their assets and liabilities on a line-by-line basis, as well as the elimination of all intercompany transactions and thus of payables, receivables, sales, purchases, and profits and losses not realised with third parties. Subsidiaries are consolidated on a line-by-line basis from their acquisition date, i.e. from the date when the Group acquires control, and are deconsolidated on the date when control over them is transferred outside the Group. Any differences between the acquisition cost and book equity of investments at the time of acquisition are allocated – if positive – to specific assets of the acquired companies, based on their fair value at the acquisition date, and amortised on a straight-line basis over the useful lives of the investments concerned. If the conditions apply, any unallocated differences are recognised as goodwill. In this latter case, the amounts are not amortised but are tested for impairment at least annually and, in any case, whenever deemed appropriate. Any negative differences are charged to the income statement.
If the price paid for the acquisition of control over a company cannot be allocated definitively, recourse is made to the extended deadline (12 months) allowed by the relevant accounting standard (IFRS 3 – Business combinations).
Non-controlling interests represent that part of the profits or losses and net assets not owned by the Group, for which the related risks and rewards have not been transferred to the subsidiary. They are classified separately in the income statement, while in the statement of financial position they are classified as part of shareholders' equity, but separately from the equity attributable to the owners of the parent.

The following companies have been consolidated on a line-by-line basis as at 31 December 2016:

- **Nice S.p.A.**, parent company responsible for the design, production and marketing of Nice products, which holds:
- Nice France S.a.S., subsidiary that markets the Group's products in France;
- Nice Polska Sp. z.o.o., subsidiary that markets the Group's products in Poland;
- Nice Automatismos Espana S.A., subsidiary that markets the Group's products in Spain;
- Nice Belgium S.A., subsidiary that markets the Group's products in Belgium;
- Nice Shanghai Automatic Control Co. Ltd., subsidiary that markets the Group's products in the Far East market;
- R.D.P. Shanghai Trading Ltd., subsidiary that purchases basic components in the Asian market for subsequent resale to Group companies;
- Nice UK Ltd., subsidiary that markets the Group's products in the UK;
- Nice Deutschland GmbH, subsidiary that markets the Group's products in Germany and assembles one line of products;
- S.C. Nice Romania S.A., subsidiary that markets the Group's products in Romania;
- Nice Istanbul Ltd., subsidiary that markets the Group's products in Turkey;

- Nice Australia Home Automation Pty Ltd, subsidiary that markets the Group’s products in Australia;
- AutomatNice Portugal S.A., subsidiary that markets the Group’s products in Portugal;
- ET Nice (PTY) LTD, subsidiary that designs, produces and markets automation systems in South Africa and the sub-Saharan region;
- Silentron S.p.A., subsidiary that designs, produces and markets alarm systems;
- Nice Home Automation CJSC, subsidiary that markets the Group’s products in Russia;
- SAAC S.r.l., subsidiary that markets and installs Nice products;
- Nice Gulf FZE, subsidiary that markets the Group's products in the Middle East;
- Fenice Immobiliare S.p.A. (formerly FontanaArte S.p.A., previous owner of the line of business sold), subsidiary that owns the property housing the factory, offices and warehouses rented to FontanaArte S.p.A.;
- **Nice Group USA Inc.**, subsidiary that markets the Group’s products and designs, produces and markets automation systems in the USA, which holds:
- Hy-Security Gate, Inc., subsidiary that designs, manufactures and markets gate automation systems for industrial and commercial use to the highest security standards;
- **Peccinin Portoes Automaticos Industrial Ltda**, subsidiary that designs, produces and markets automation systems in the Latin American market, which holds:
- Genno Tecnologia LTDA, subsidiary that designs, produces and markets perimeter security systems and electronic accessories in the Latin American market;
- Omegaport Equipamentos de Seguranca LTDA, subsidiary that designs, produces and markets automation systems in the Latin American market;
- **King Gates Srl**, subsidiary that operates in the automation sector, designing and producing automation systems for gates and garage doors, which holds:
- King Gates France SAS, subsidiary that markets automation systems for gates and garage doors in the French market. This company was formed during 2016;
- **elero GmbH**, subsidiary that designs, produces and markets elero products, which holds:
- elero Motors & Controls Pvt. Ltd., a company that markets elero products in India;
- elero Singapore Pte. Ltd., a company that markets elero products in Asia;
- elero AB, a company that markets the Group's products in Sweden.

Please note that, as in the past three years, Nice Middle East has not been consolidated as at 31 December 2016 because the Group is unable to exercise control over the subsidiary, due to the current complex political situation in Syria.

Translation of foreign currency items and financial statements not denominated in Euro

The consolidated financial statements are presented in Euro, which is the Group's functional and presentation currency. Each Group company identifies its own functional currency, which is used to measure the items in their separate financial statements.

Transactions in foreign currencies are initially recognised using the exchange rates (against the functional currency) applying on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates applying on the reporting date. All exchange differences are recognised in the income statement.

Any goodwill deriving from the acquisition of a foreign operation, and any changes in fair value that modify the carrying amounts of assets and liabilities deriving from the acquisition of that foreign operation, are recognised as the assets and/or liabilities of the foreign operation. These amounts are then expressed in the functional currency of foreign operation and translated using the exchange rate applying on the reporting date.

The functional currency of subsidiaries not domiciled in the Euro area is their local currency. As at the reporting date, the assets and liabilities of those subsidiaries are translated to Euro using the exchange rates applying on those dates, and their income statements are translated using the average exchange rates for the year. These translation adjustments are recognised directly in equity and classified in a separate equity reserve. Upon the disposal of a foreign company, the related cumulative translation adjustments recognised in equity are released to the income statement.
The exchange rates applied are shown in the table below and correspond to those published by the UIC (Italian Foreign Exchange Office):

Currency	Average 2016	As at 31/12/2016	Average 2015	As at 31/12/2015
Polish Zloty - PLN	4.3636	4.4103	4.1841	4.2639
Chinese Renminbi - CNY	6.9941	7.3202	6.9733	7.0608
Turkish Lira - TRY	3.3427	3.7072	3.0255	3.1765
Australian Dollar - AUD	1.4886	1.4596	1.4777	1.4897
US Dollar - USD	1.1066	1.0541	1.1095	1.0887
UK Pound - GBP	0.8178	0.8562	0.7258	0.7340
Romanian Leu - RON	4.4908	4.5390	4.4454	4.5240
South African Rand - ZAR	16.2772	14.4570	14.1723	16.9530
Russian Rouble - RUB	74.2318	64.3000	68.0720	80.6736
Singapore Dollar - SGD	1.5278	1.5234	1.5255	1.5417
Indian Rupee - INR	74.3526	71.5935	71.1956	72.0215
Swedish Krona- SEK	9.4673	9.5525	9.3535	9.1895
Brazilian Real - BRL	3.8616	3.4305	3.7004	4.3117
UAE Dirham - AED	4.0928	3.8696	4.0733	3.9966

Summary of principal accounting policies

The accounting policies and measurement criteria adopted for preparing the consolidated financial statements as at 31 December 2016 are described below.

Intangible assets

Intangible assets acquired separately are initially capitalised at cost, while those acquired through business combinations are recognised at their fair value on the acquisition date. After initial recognition, intangible assets are stated at cost, net of accumulated amortisation and any accumulated impairment. Except for development costs, intangible assets generated internally are not capitalised and are expensed in the year incurred.
The useful life of intangible assets may be finite or indefinite.
Intangible assets with a finite life are amortised over their useful life and tested for impairment whenever there is evidence of a loss of value. The period and method of amortisation applied are reviewed at the end of each financial year, or more frequently if necessary. Any changes in expected useful life or in the way that the future economic benefits deriving from the intangible asset are obtained by the Group are recognised by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimate. The amortisation of intangible assets with a finite life is charged to the appropriate cost category of the income statement, with reference to their function.
Intangible assets with an indefinite useful life are subject to an annual impairment test at an individual level or at cash generating unit level. These assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to verify if the conditions for this classification still apply.
Profits or losses deriving from the sale of an intangible asset, calculated as the difference between net disposal proceeds and carrying amount, are recognised in the income statement at the time of sale.

Business combinations and Goodwill

Business combinations are accounted for using the purchase method. This requires recognition at fair value of the identifiable assets (including any intangible assets not previously recognised) and identifiable liabilities (including contingent liabilities but excluding future restructuring) of the acquired company.
Transaction costs are generally charged to the income statement as incurred.
Any contingent consideration envisaged in the business combination agreement is measured at fair value on the acquisition date and included in the value of the consideration transferred as part of the business combination in order to determine the goodwill paid. Any subsequent changes in that fair value considered to represent adjustments arising in the measurement period are retrospectively included in goodwill. Changes in fair value are considered to represent adjustments arising in the measurement period if they result from additional information, about facts and circumstances that existed on the acquisition date, obtained during the measurement period (which cannot be longer than one year after the business combination).
Liabilities connected to the exercise of put/call options, if any, on the non-controlling interests in the acquired companies are recognised as financial liabilities, as required by IAS 32, and included in the measurement of the cost of the business combination.

Goodwill acquired in a business combination is initially measured at cost and represents the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities (of the company acquired). After initial recognition, goodwill is not amortised but is reduced by any accumulated impairment losses, which are determined in the manner described below. Goodwill relating to investments in associates is included in the carrying amounts of those companies.

Goodwill is tested for recoverability annually, or more frequently if events or changes in circumstances occur that may lead to impairment.

For this purpose, the goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group’s cash generating units (or groups of units) that are expected to benefit from the synergies released by the acquisition, regardless of the allocation of other assets or liabilities to those CGUs (or groups of CGUs). Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the company at which goodwill is monitored for internal management purposes, and is no broader than the business segments identified for the purpose of presenting the Group’s segment information, determined pursuant to IFRS 8 Operating Segments.

Impairment, if any, is determined with reference to the recoverable amount of the cash generating unit (or group of units) to which the goodwill is allocated. When the recoverable amount of the cash generating unit (or group of units) is lower than its carrying amount, impairment is recognised. Should assets be removed from a cash generating unit (or group of units) to which goodwill was allocated, the goodwill associated with them is determined in order to calculate the capital gain (loss), if any, deriving from the transaction. In such cases, the goodwill sold is determined by reference to the value of the transferred assets and the value of the assets retained by the CGU concerned.

Trademarks

Trademarks with a definite useful life are amortised over a period of 10 years and tested for impairment whenever there is evidence of a possible loss of value. Their useful life is reviewed annually.
The carrying amount of trademarks relates to the price paid in 2005 by Mhouse to purchase the Mhouse logo in the USA. This trademark is considered to have an indefinite useful life and is therefore tested for impairment annually, or more frequently if events or changes in circumstances occur that may lead to a possible loss of value.

Software

The carrying amount of software relates to the cost of user licences. This intangible asset with a definite useful life is amortised over a period of 3 - 5 years.

Research and development costs

Research costs are charged to the income statement as incurred. Development costs incurred in relation to a specific project are only capitalised when the Group can demonstrate the technical feasibility of completing the intangible asset and making it available for use or sale, the intention to complete that asset for use or sale, the ways in which it would generate future economic benefits, the availability of technical, financial or other resources to complete development and its ability to measure reliably the costs attributable to the asset during its development.
The asset is tested for impairment each year during the development period, in order to identify any loss of value. After initial recognition, development costs are measured at cost net of any accumulated amortisation or impairment. Amortisation starts once development has been completed and the asset is available for use. Development costs are amortised over the period in which the related project is expected to generate revenue for the Group, but in any case not

over more than 5 years. During the period in which the asset is not yet in use, it is tested for impairment every year to identify any loss of value.

Customer relations

The amount recorded reflects the cost of customer relations purchased from previous distributors. Based on analyses of customer loyalty, these relations are deemed to have a useful life of 10 years. The continuity of business relations with these customers is checked systematically, in order to determine the accuracy of the above estimated useful life.

Technological know-how

The amount recorded relates to the overall industrial-technical know-how required to make a product, activate a production process or use a technology correctly. This know-how derives from studies and the accumulation of entrepreneurial experience, reflects the ability to innovate and is confidential in nature. The residual life of this assets is deemed to be 10 years.

Property, plant and equipment

Property, plant and equipment are initially recognised at their historical cost, including the directly-related charges necessary to put the asset into operation for the use for which it was purchased.
Maintenance and repair expenses that do not add value to or extend the residual lives of assets are expensed as incurred; otherwise, they are capitalised.
Property, plant and equipment are stated net of the related accumulated depreciation and impairment, if any, determined in the manner described below. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. This period is reviewed annually and any changes are made on a prospective basis.

The main economic-technical depreciation rates used are as follows:

Category	Depreciation rates
Buildings	3%
General and specific plant	10%-15.5%
Equipment (moulds)	10%-12.5%
Sundry and small tools	20%-25%
Office machines and furniture	12%-20%
Electronic office machines	20%-25%
Motor vehicles – Trucks	20%-25%
Leasehold improvements	Over the life of the lease

The carrying amount of property, plant and equipment is tested for impairment, if events or changes in circumstances indicate that their carrying amounts might not be recoverable. If there is evidence of this and the carrying amounts exceed expected realisable value, the assets are written down to reflect their realisable value. The realisable value of property, plant and equipment is its net sale price or value in use, whichever is higher.

In defining value in use, the forecast cash flows are discounted to present value using a discount rate that reflects the current market estimate for the time cost of money and the specific risks associated with the asset. The realisable value of assets that do not generate independent cash flows is determined in relation to the cash generating unit to which they belong. Impairment is classified in the income statement together with the depreciation charge and any write-downs recorded. This impairment is written back if the reasons for its recognition cease to apply.

When an asset is sold or no future economic benefits are expected from its use, it is derecognised and any loss or profit (calculated as the difference between sale value and carrying amount) is recorded in the income statement for the year of derecognition.

Investment property

Investment property is held to earn rental income. This property is recorded at purchase cost plus any related charges and stated net of accumulated depreciation and any impairment recognised.

Impairment of non-financial assets

On each reporting date, the Group assesses whether there is evidence that an asset may be impaired. In this case, or if annual impairment testing is required, the Group estimates the amount. Recoverable amount is the fair value of the asset or the cash generating unit, net of selling costs, or its value in use if greater. Recoverable amount is determined for each individual asset, except when the asset generates cash flows that are not fully independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable amount, the asset is considered impaired and is consequently written down to its recoverable amount. In measuring value in use, the Group discounts the forecast cash flows to their present value, using a pre-tax discount rate that reflects the market assessment of the current value of money and the specific risks associated with the asset. An appropriate model is used to measure fair value net of selling costs. These calculations are carried out using appropriate valuation multipliers and other available fair value indicators.

The impairment of continuing operations is charged to the appropriate cost categories of the income statement, consistent with the function of the impaired assets.

For assets other than goodwill, the Group also assesses on each reporting date if the reasons for any previously-recognised impairment have ceased to apply, in whole or in part, and estimates the recoverable amount should this be the case. The value of a previously impaired asset is only reinstated if the estimates used to determine its recoverable amount change after recognition of the last impairment. The recovery in value cannot exceed the carrying amount that would have been determined, net of amortisation/depreciation, had no impairment been recognised in prior years. Such recovery is recognised in the income statement unless the asset is recorded at a revalued amount, in which case the recovery is treated as a revaluation increase.

Goodwill is tested for loss of value annually, or more frequently if events or changes in circumstances indicate that its carrying amount may be subject to impairment.

Impairment of goodwill is determined by assessing the recoverable amount of the cash generating unit (or group of cash generating units) to which the goodwill has been allocated. Should the recoverable amount of the cash generating unit (or group of cash generating units) to which the goodwill has been allocated be less than its carrying amount, impairment is recognised. Impairment related to goodwill cannot be reinstated in future years. The Group tests goodwill for impairment annually, when preparing the financial statements.

Financial assets

IAS 39 envisages the following types of financial instrument: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Initially, all financial assets are recorded at fair value. This is uplifted by any related charges, except in the case of assets stated at fair value through profit or loss. The Group determines the classification of its financial assets after initial recognition and, where appropriate and allowed, reviews this classification on each reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. After initial recognition, these assets are measured at amortised cost using the effective discount rate method and stated net of any provision for impairment.
Amortised cost is calculated considering each discount or purchase premium and includes commissions that are an integral part of the effective interest rate and transaction costs. Profits and losses are recognised in the income statement when the loans and receivables are derecognised or in case of impairment, as well as by means of the amortisation process.

As at 31 December 2016, the Group does not hold any financial assets that could be classified as “Held-to-maturity investments” or “Available-for-sale financial assets”.

Impairment of financial assets

On each reporting date, the Group assesses whether a financial asset or group of financial assets has been impaired.

Assets measured at amortised cost

If there is objective evidence that a loan or receivable recorded at amortised cost has been impaired, the loss is calculated as the difference between the carrying amount of the asset and the present value of the forecast cash flows (excluding collection losses not yet incurred), discounted using the original effective interest rate of the financial asset (that calculated on the date of initial recognition). The carrying amount of the asset is reduced by a provision and the loss is recognised in the income statement.
If the amount of the impairment decreases in a subsequent period, and this reduction can be objectively traced to an event that took place after recognition of the impairment, the previously reduced amount can be reinstated. Any subsequent write-backs are recorded in the income statement, to the extent that the carrying amount of the asset does not exceed its amortised cost at the date of reinstatement.
With reference to trade receivables, a provision for impairment is made when there is objective evidence (such as the probable insolvency or significant financial difficulties of the debtor) that the Group will be unable to recover all the amounts due under the original invoice terms. The carrying amount of the receivable is reduced by a specific provision. Receivables subject to impairment are written off when it is confirmed that they cannot be recovered.

Inventories

Inventories are recorded at purchase and/or production cost, determined using the weighted average cost method, or their estimated net realisable or replacement value if lower. Net realisable value is determined with reference to the estimated selling price under normal market conditions, net of direct selling costs.
Obsolete and/or slow-moving inventories are written down with reference to their future possibility of use or realisation. Write-downs are reversed in subsequent years if the reasons for them cease to apply.

Treasury shares

Treasury shares are deducted from shareholders' equity on the basis of their purchase cost. No profit or loss is recognised in the income statement on the purchase, sale or cancellation of treasury shares. All differences between carrying amount and consideration are recognised among the other equity reserves.

Liquid funds

Liquid funds and short-term deposits comprise cash on hand and demand and short-term deposits with an original duration of three months or less. This definition also applies to the liquid funds reported in the consolidated statement of cash flows.

Financial liabilities

Trade payables

Trade payables arranged on normal commercial terms are not discounted to present value and are recorded at cost (identified by their nominal value), which represents their fair value at the reporting date.

Loans

Loans are initially recognised at the fair value of the amount received, net of the related loan acquisition costs. After initial recognition, loans are measured at amortised cost using the effective interest rate method. Profits and losses are recognised in the income statement when the liability is settled, as well as by means of the amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held for trading financial liabilities and financial liabilities designated at fair value through profit or loss upon initial recognition.

Held for trading financial liabilities comprise all those acquired for resale in the short term. This category includes those derivative financial instruments arranged by the Company that are not designated as hedging instruments in accordance with IAS 39. Separated embedded derivatives are classified as financial instruments held for trading unless they have been designated as effective hedging instruments.

Financial guarantees given

The financial guarantees given by the Group comprise those contracts that require a payment to be made to reimburse the holder for the loss incurred should the specified debtor fail to make the specified payment on the due date, in accordance with the contractual clauses applicable to the debt instrument. Financial guarantees given are reported at their nominal value among the commitments and contingencies.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive the cash flows from the asset ceases;
- the Group retains the right to receive cash flows from the asset, but has accepted a contractual obligation to pay them in full and without delay to a third party;
- the Group has assigned the right to receive cash flows from the asset and (a) has assigned substantially all the risks and rewards of ownership of the financial asset or (b) has neither retained nor assigned substantially all of the risks and rewards of the asset, but has assigned its control over the asset.

If the Group has assigned the right to receive cash flows from an asset and has neither retained nor assigned substantially all of the risks and rewards or has not lost control over the asset, the Group continues to recognise the asset to the extent to which it has a residual involvement in the asset. This residual involvement, consisting of a guarantee given on the assigned asset, is measured at the initial carrying amount of the asset or, if lower, at the maximum amount that the Group could be required to pay.

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or fulfilled.

Employee benefits

Profit and losses deriving from actuarial valuations are recorded in the statement of comprehensive income.
Liabilities relating to defined benefit programmes, net of any assets servicing the plan, are determined using actuarial assumptions and are recognised on an accruals basis to match the employment services required to obtain the benefits concerned.
The liabilities are measured by independent actuaries using the projected unit credit method.
Profit and losses deriving from the actuarial valuation are recognised in the income statement as income or expense, regardless of their amount.
The amount reflects not only the liability accrued at the reporting date, but also future salary increases and the related statistical dynamics.

Benefits guaranteed to employees via defined contribution plans (having regard for recent changes in the Italian law on pension contributions) are recognised on an accruals basis and give rise to recognition of a liability measured at nominal value.

Provisions for risks and charges

The provisions for risks and charges cover known or likely costs and charges whose timing and extent cannot be determined at the reporting date.

Provisions for risks and charges are made when the Group must fulfil a current obligation (legal or implicit) arising from a past event, when an outflow of resources in order to fulfil this obligation is probable and it is possible to make a reliable estimate of its amount. When the Group considers that a provision for risks and charges will be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the indemnity is recognised separately as an asset when, and only when, collection is practically certain.

In this case, any provisions charged to the income statement are reported net of the amount recorded for the indemnity.

Provisions reflect the best estimate of the amount the Group would have to pay to settle the obligation or transfer it to a third party at the reporting date. If the discounting effect is significant, provisions are determined by discounting the forecast cash flows to present value using a pre-tax discount rate that reflects, where appropriate, the specific risks associated with the liabilities. When discounting to present value, the increase in the provision due to the passage of time is recognised as a financial expense.

Leases

The definition of a contractual agreement as a lease transaction (or containing a lease transaction) is based on the substance of the agreement and requires an assessment of whether fulfilment of the agreement depends on the use of one or more specific assets and if the agreement transfers the right to use them. A review is only carried out after the agreement has started if one of the following conditions arises:

a) there is a change in the contractual conditions, other than a renewal or extension of the agreement;
b) a renewal option is exercised or an extension is granted, unless the terms of renewal or extension were initially included in the terms of the lease transaction;
c) there is a change in the condition according to which fulfilment depends on a specific asset; or
d) there is a substantial change in the asset.

If a review is carried out, recognition of the lease will start or terminate on the date when the circumstances that have caused the review for scenarios a), c) or d) change, or on the date of renewal or extension for scenario b).

Operating lease payments are recognised as costs in the income statement on a straight-line basis over the life of the agreement.

Revenues and income

Revenues are recognised to the extent it is likely that the Group will obtain the related economic benefits and the amount concerned can be determined reliably. Revenues are measured at the fair value of the consideration received, net of discounts, allowances, rebates and sales taxes.

Revenues and costs are recorded on an accruals basis.

Revenues from the sale of products are recognised when ownership passes, which generally occurs when the goods are shipped and entails the transfer of all risks and rewards connected with the products sold.

Interest income is recognised on an accruals basis that takes account of the effective yield on the asset concerned.

Costs and expenses

Costs and expenses are recognised on an accruals basis.

Financial expenses are recognised in the income statement as incurred.

Dividends

Dividend income is recognised when the right of the shareholders to receive payment arises.

Income taxes

Current taxes

Current taxes for the current and previous years reflect the amount that is expected to be recovered or paid to the tax authorities in compliance with the regulations in force.

The tax rates and regulations used to calculate the charge are those issued or substantially issued at 31 December 2016.

Current taxes on items recognised directly in shareholders' equity are also recognised in shareholders' equity and not in the income statement.

Deferred taxes

Deferred taxes are calculated using the liability method on the temporary differences at the reporting date between the tax values for assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recorded on all taxable temporary differences, except when the deferred tax liabilities derive from initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the profit for the year calculated for financial statement purposes nor the profit or loss calculated for tax purposes.

Deferred tax assets are recorded on all deductible temporary differences and tax losses carried forward, to the extent that future taxable income is likely to be sufficient to absorb the deductible temporary differences when they reverse and the tax assets and liabilities carried forward, except when the deferred tax asset associated with the deductible temporary differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the profit for the year calculated for financial statement purposes nor the profit or loss calculated for tax purposes.

The recoverability of deferred tax assets is reviewed on each reporting date and their amount is written down to the extent that it is no longer likely that future taxable income will be sufficient for their recovery in whole or in part. Unrecognised deferred tax assets are reviewed annually at the reporting date and are recognised to the extent that it has become likely that future taxable income will be sufficient for their recovery.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be applied in the years in which the assets are realised or the liabilities are settled, considering the rates currently in force and those already issued, or substantially issued, at the reporting date.

Deferred tax assets and liabilities relating to items recognised directly in shareholders' equity are also recognised directly in shareholders' equity and not in the income statement.

Deferred tax assets and liabilities are offset, if a legal right exists to offset current tax assets against current tax liabilities, and the deferred income taxes relate to the same taxable entity and the same tax authority.

Derivative financial instruments

Derivative financial instruments (where present) are initially recorded at fair value on the date when they are arranged. Subsequently, this fair value is periodically remeasured. They are recognised as assets when their fair value is positive and as liabilities when it is negative. Any profits or losses resulting from changes in their fair value are recognised directly in the income statement for the year.

The fair value of currency forward contracts is determined with reference to the current forward exchange rates for contracts with a similar maturity profile.

Earnings per share

Earnings per share are calculated by dividing the consolidated net profit for the year attributable to the Group's shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are obtained by adjusting the weighted average number of outstanding shares to take account of the conversion of all potential shares with a dilution effect and any purchases of treasury shares. The Group's net profit is also adjusted to take account of the effects of conversion, net of the related taxes.

Analysis of the principal captions of the consolidated statement of financial position as at 31 December 2016

Non-current assets

1. Business combinations

On 5 July 2016, the Nice Group acquired 100% of Hy-Security Gate, Inc., a North American leader in the design and manufacture of gate automation systems for industrial and commercial use to the highest security standards.
The Nice Group paid USD 27,156,070 for this acquisition, based on the EBITDA of Hy-Security Gate, Inc. for the twelve months prior to the acquisition, which represented 90% of the final price. The remaining 10% was paid into an escrow account in favour of the seller, which was then lodged as a guarantee to the purchaser for the commitments made by the seller in the sale contract. This amount will be released on 1 January 2018. The contract also envisages a possible additional payment to the seller, under an earn-out mechanism linked to the performance of Hy-Security Gate in 2016 and to the performance of the Nice Group in North America during 2017 and 2018. This clause was assessed pursuant to IFRS 3 and does not give rise to a financial liability. The first earn-out payment will be made by the end of April 2017.

The price paid was allocated to goodwill as at 31 December 2016, as no additional property, plant, equipment or intangible assets have been identified.

(thousands of euro)

Hy-Security Gate, Inc.	**Fair value**	**Carrying amounts**
Cash	147	147
Intangible assets	1,542	1,542
Property, plant and equipment	(428)	(428)
Receivables acquired	5,672	5,672
Inventory acquired	3,303	3,303
Trade payables acquired	(1,386)	(1,386)
Liabilities acquired	(3,362)	(3,362)
Total	5,488	5,488
Estimated price	37,213	37,213
Goodwill	31,724	31,724
Goodwill at the closing exchange rate	32,813	32,813
Liquidity connected to the acquisition		
Liquid funds acquired		147
Payments made		(24,364)
Net liquidity acquired / (used)		(24,217)

Hy-Security Gate contributed about Euro 12.1 million to consolidated revenues during 2016.

2. Intangible assets

The changes in intangible assets during 2016 are shown in the following table:

(thousands of euro)	Goodwill	Software, licences and concessions	Trademarks	Customer relations	Technological know-how	Development costs	Other intangible assets	Total
Cost:								
As at 01/01/2015	**53,584**	**8,515**	**20,052**	**2,807**	**2,649**	**105**	**5,115**	**92,827**
Acquisitions	19,300	461	-	-	-	-	8	19,769
Other increases	-	747	-	-	-	-	248	995
Disposals	-	-	(2)	-	-	-	(40)	(41)
Reclassifications	-	215	-	-	-	-	(215)	-
Translation differences	(6,053)	(69)	-	72	-	-	(112)	(6,162)
As at 31/12/2015	**66,831**	**9,868**	**20,050**	**2,879**	**2,649**	**105**	**5,005**	**107,388**
Acquisitions	32,813	-	-	-	-	-	-	32,813
Other increases	-	1,507	-	-	-	1,711	405	3,623
Disposals	(62)	-	(9,166)	-	-	-	(68)	(9,296)
Reclassifications	-	(515)	-	-	-	-	-	(515)
Translation differences	7,081	105	-	101	-	-	81	7,367
As at 31/12/2016	**106,663**	**10,965**	**10,885**	**2,980**	**2,649**	**1,816**	**5,424**	**141,381**
Amortisation and impairment:								
As at 01/01/2015	**(687)**	**(5,060)**	**(5,719)**	**(2,223)**	**(2,074)**	**(104)**	**(2,261)**	**(18,128)**
Acquisitions	-	41	-	-	-	-	-	41
Impairment	-	-	-	-	-	-	-	-
Amortisation	-	(1,192)	(11)	(320)	(268)	-	(350)	(2,141)
Disposals	-	(249)	-	-	-	-	33	(216)
Translation differences	-	31	-	(110)	-	-	30	(49)
As at 31/12/2015	**(687)**	**(6,429)**	**(5,730)**	**(2,653)**	**(2,342)**	**(104)**	**(2,548)**	**(20,493)**
Acquisitions	-	-	-	-	-	-	-	-
Impairment	-	-	(5,089)	-	-	-	-	(5,089)
Amortisation	-	(1,272)	(33)	(321)	(262)	(78)	(338)	(2,303)
Disposals	-	-	-	-	-	-	132	132
Reclassifications	-	515	-	-	-	-	-	515
Translation differences	-	(51)	-	(63)	-	-	(49)	(163)
As at 31/12/2016	**(687)**	**(7,238)**	**(10,852)**	**(3,038)**	**(2,604)**	**(182)**	**(2,803)**	**(27,401)**
Net carrying amount:								
As at 31/12/2016	**105,976**	**3,728**	**33**	**(56)**	**45**	**1,634**	**2,621**	**113,979**
As at 31/12/2015	**66,144**	**3,439**	**14,320**	**226**	**307**	**1**	**2,457**	**86,895**

Intangible assets amount to Euro 113,979 thousand as at 31 December 2016, compared with Euro 86,895 thousand as at 31 December 2015.

The change in mainly due to the increase in "Goodwill" by Euro 32.8 million on the acquisition of Hy-Security Gate, Inc., and the decrease in "Trademarks" to reflect the impairment of the FontanaArte trademark*,* Euro 5.1 million, and its subsequent sale on 14 October 2016.

The residual increase is attributable to the effect of exchange differences on the opening balances expressed in foreign currencies ("Goodwill" in particular).

The amortisation and impairment of intangible assets are charged to the “Depreciation and amortisation” caption of the income statement, as discussed in point 28 below.

Impairment test on goodwill and intangible assets with an indefinite useful life allocated to each cash generating unit (CGU).

The amount recognised as goodwill reflects the higher value paid to acquire certain consolidated subsidiaries with respect to the fair value of the assets and liabilities acquired.

The value of recorded goodwill was tested for impairment in order to check that it does not exceed the related recoverable amount. The recoverable amount of goodwill was defined in terms of value in use and was calculated for each CGU to which the goodwill was allocated. Consistent with recent technical trends and the internal reporting used by the Group, the CGUs tested for impairment were identified with reference to the macro geographical areas in which the products of the Nice Group are sold.

The following changes were made with respect to the CGUs tested for impairment in the prior year:

- Elimination of the FontanaArte CGU: Nice sold the line of business comprising the operations of FontanaArte during 2016. The Group retained ownership of the property used for the activities of FontanaArte Italia, which is expected to generate future rental income.
- Addition of the USA CGU: Nice completed the purchase of Hy Security Gate, Inc., during the year, thus increasing the Group’s presence in North America. Following this and considering the value of the intangibles that emerged from the transaction, it was deemed preferable to separate the United States from the Rest of World CGU and establish a new CGU comprising the entire US market.

The goodwill was allocated to the various CGUs, either directly if the market is specified, or in proportion to sales in the case of goodwill relating to several markets.

For the CGUs identified, the impairment test did not indicate any need for a write down.

The value in use of the individual CGUs was estimated using the discounted cash flow method, discounting to present value the operating cash flows generated by the activities using a discount rate that represents the weighted average cost of capital (wacc).

The cash flows from each CGU indicated in the 2017-2019 business plan were used to determine their value in use.

A growth rate beyond the plan time horizon (g) was identified for each CGU and used to estimate terminal value, taking account of the expected growth of the business in the various geographical areas in which the Group operates and identifying a maximum limit of 1%. The WACC was calculated for each CGU, reflecting the country risk of the destination markets for their products, and ranges from 5.5% to 9.6%.

The difference between value in use and the net operating capital invested at the reporting date was compared with the carrying amounts of the goodwill and other intangible assets with indefinite lives recorded in the consolidated financial statements of Nice S.p.A..

When determining the various parameters, account was taken of the ongoing turmoil in the financial markets and the adverse macroeconomic scenario by “normalising” the current rates based on the most authoritative practices and literature on the matter. In order to obtain information about the potential net realisable value of the Group’s assets, stock market multiples were applied to determine values for certain listed companies operating in the sector, which were used for orientation purposes with regard to value in use.

The assessment methodology also included a sensitivity analysis of the various used (discount rate, WACC, growth rate g and EBITDA terminal value) and, in particular, the impairment test threshold levels. At this time, it is not reasonable to hypothesise any changes to the assumptions made that would eliminate the amount by which value in use exceeds the carrying amount.

Goodwill is analysed below:

(thousands of euro)	31/12/2016	31/12/2015
France	4,131	4,369
Italy	4,124	4,679
Europe 15	16,994	16,122
Rest of Europe	8,913	8,327
Rest of the world	29,783	32,585
USA	42,030	-
FontanaArte group	-	62
Total goodwill	**105,975**	**66,144**

Trademarks

As at 31 December 2016, trademarks mainly related to the FontanaArte trademark, which was purchased in December 2010 and was considered to have an indefinite useful life. This trademark was sold in Q4 2016 as part of the disposal of the FontanaArte line of business.

See note *43. Activities sold during the year* for further details.

Software, licences and concessions

Software mainly relates to the costs incurred to purchase applications for long-term use in the management of operations and for research activities. Licence costs relate to the purchase of software user licences.

3. Property, plant and equipment

The changes in property, plant and equipment during 2016 are shown in the following table:

(thousands of euro)	Land and buildings	Investment property	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Leasehold improvements	Assets under construction and advances	Total
Cost:								
As at 01/01/2015	**18,710**	**-**	**13,890**	**30,200**	**14,155**	**4,744**	**4,714**	**86,413**
Acquisitions	111	-	457	301	329	17	-	1,215
Other increases	994	-	2,008	2,416	973	312	4,487	11,189
Disposals	-	-	(95)	(20)	(412)	(24)	(175)	(725)
Reclassifications	-	-	358	314	407	3,824	(4,903)	-
Translation differences	4	-	(307)	(261)	(63)	5	(47)	(669)
As at 31/12/2015	**19,819**	**-**	**16,312**	**32,950**	**15,388**	**8,878**	**4,076**	**97,423**
Acquisitions	-	-	26	19	-	-		45
Other increases	5,521	-	1,023	2,746	1,318	1,287	6,756	18,652
Disposals	-	-	(849)	(16)	(524)	-	-	(1,389)
Reclassifications	(13,975)	15,306	184	94	129	-	(1,738)	-
Translation differences	(10)	-	472	421	198	19	-	1,099
As at 31/12/2016	**11,355**	**15,306**	**17,167**	**36,214**	**16,510**	**10,183**	**9,094**	**115,830**
Depreciation and impairment:								
As at 01/01/2015	**(3,640)**	**-**	**(8,869)**	**(23,505)**	**(12,035)**	**(1,505)**	**-**	**(49,554)**
Acquisitions	**(11)**	**-**	**(141)**	**(42)**	**(172)**	**(9)**	**-**	**(375)**
Depreciation	(555)	-	(1,406)	(2,171)	(1,299)	(928)	-	(6,359)
Disposals	-	-	95	1	57	-	-	153
Translation differences	(1)	-	167	322	29	(2)	-	516
As at 31/12/2015	**(4,207)**	**-**	**(10,154)**	**(25,395)**	**(13,419)**	**(2,444)**	**-**	**(55,619)**
Acquisitions	-	-	-	-	-	-	-	-
Impairment	-	(2,000)	-	-	-	-	-	(2,000)
Depreciation	(523)	(104)	(1,328)	(2,301)	(1,337)	(1,222)	-	(6,815)
Disposals	-	-	263	16	179	-	-	458
Reclassifications	4,529	(4,677)	8	-	144	(3)	-	21
Translation differences	17	-	(268)	(269)	(86)	(2)	-	(608)
As at 31/12/2016	**(184)**	**(6,782)**	**(11,480)**	**(27,949)**	**(14,519)**	**(3,671)**	**-**	**(64,584)**
Net carrying amount:								
As at 31/12/2016	**11,171**	**8,525**	**5,687**	**8,265**	**1,992**	**6,513**	**9,094**	**51,246**
As at 31/12/2015	**15,612**	**-**	**6,158**	**7,555**	**1,969**	**6,434**	**4,076**	**41,804**

Property, plant and equipment amount to Euro 51,246 thousand as at 31 December 2016, after the depreciation charge for the year of Euro 6,815 thousand and net investment of Euro 18,652 thousand.

Investment property

Investment property comprises the value of the building used as a factory, offices and warehouse that is owned by Fenice Immobiliare S.p.A. and leased to FontanaArte S.p.A., which was sold in Q4 2016.
The fair value of the property as at 31 December 2016 is Euro 8,515 thousand.

Plant and machinery

The item includes shelving and equipment for the regulatory and operational testing of products, as well as investment in production machinery.

Industrial and commercial equipment

This item mainly relates to moulds that are loaned free of charge to sub-suppliers; investment during the year related to equipment for the manufacture of new products launched on the market.

Other assets

This item mainly includes furniture and furnishings, IT equipment and electronic laboratory instruments. Investment during 2016 included new IT equipment (computers and printers), as well as electronic equipment for the technical offices.

Assets under construction and advances

This item mainly comprises the advances paid by elero GmbH for the construction of a new focused factory.

4. Other non-current assets

This item mainly includes a loan granted to an important customer of the Group, aimed at further consolidating the already existing industrial partnership.

5. Deferred tax assets

The following table analyses the temporary differences that originated deferred tax assets:

	31/12/2016			31/12/2015		
(thousands of euro)	Amount of temporary differences	Tax effect (% rate)	Tax effect	Amount of temporary differences	Tax effect (% rate)	Tax effect
Unrealised profits in inventories	5,453	23.7%	1,290	6,477	26.4%	1,711
Deferred taxes on tax losses of foreign subsidiaries	23,889	30.4%	7,258	30,135	29.0%	8,733
Other deferred tax assets			2,379			2,231
Total deferred tax assets			**10,926**			**12,675**

The Group has fully recognised the deferred tax assets deriving from temporary differences between taxable income and the statutory pre-tax results of Group companies, because it believes that future taxable income will be sufficient to absorb all these temporary differences (including consolidation adjustments) when they reverse.

The deferred tax assets of Italian companies were calculated using the Italian corporate income tax (IRES) rate (24%) and, where applicable, the regional income tax (IRAP) rate (3.9%). Local rates were used for the foreign subsidiaries.

Deferred tax assets mainly relate to:

- Prior year tax losses reported by some foreign subsidiaries that have been recognised since they are considered to be recoverable in a reasonably short time.
- Reversal of unrealised profits on intercompany sales included in inventories at the reporting date. This effect was calculated applying the tax rates of the countries in which the inventories were held at the reporting date. Because of this, the tax rate indicated in the table is simply a weighted average of the tax rates of the various countries.
- Other deferred tax assets mainly relate to the provisions made that are disallowed for tax purposes.

Current assets

6. Inventories

The following table analyses inventories as at 31 December 2016 and 31 December 2015:

(thousands of euro)	31/12/2016	31/12/2015
Base components, ancillary and consumable materials	27,647	28,836
Work in progress and semi-finished products	11,532	14,930
Finished products	26,708	29,693
Inventory allowance	(3,289)	(3,911)
Total inventories	**62,598**	**69,548**

Inventories have decreased by Euro 6,950 thousand since the end of the prior year.

Inventories are stated net of an allowance that is deemed appropriate for the prudent measurement of raw materials, work in progress, semi-finished products and finished products.

The following table shows the changes in the inventory allowance on a comparative basis:

(thousands of euro)	31/12/2016	31/12/2015
Allowance, start of period	**3,911**	**3,030**
Provisions	2,396	931
Acquisitions and disposals	(301)	-
Utilisations	(2,719)	(50)
Allowance, end of period	**3,288**	**3,911**

7. Trade receivables

The following table analyses trade receivables and the related allowance for doubtful accounts as at 31 December 2016 and 31 December 2015:

(thousands of euro)	31/12/2016	31/12/2015
Trade receivables - Italy	13,181	14,903
Trade receivables - EU	19,453	26,907
Trade receivables – outside EU	30,544	21,713
Trade receivables	**63,177**	**63,523**
Allowance for doubtful accounts	(6,452)	(6,936)
Net trade receivables	**56,726**	**56,587**

Trade receivables are in line with the prior year.
Trade receivables do not earn interest and are collected in accordance with the normal commercial terms applying in the destination country.

Past due trade receivables that have not been written down are analysed below as at 31 December 2016:

			Past due but not written down		
(thousands of euro)	**Total**	**Not past due**	**0-30 days**	**30-60 days**	**over 60**
Receivables as at 31/12/2016	56,726	32,220	9,283	4,302	10,921
Receivables as at 31/12/2015	56,587	32,141	9,260	4,291	10,894

Trade receivables amount to Euro 56,726 thousand as at 31 December 2016, net of the allowance for doubtful accounts of Euro 6,452 thousand. The changes in the allowance for doubtful accounts are analysed on a comparative basis below:

(thousands of euro)	31/12/2016	31/12/2015
Allowance, start of period	**6,936**	**6,493**
Provisions	1,536	1,511
Acquisitions and disposals	(211)	-
Utilisations	(1,810)	(1,068)
Allowance, end of period	**6,452**	**6,936**

The allowance at year end represents a prudent estimate of the current risk.

8. Other current assets

Other current assets comprise other receivables, including the amounts due to Nice S.p.A. by Nice Group S.p.A. as a result of member of the Italian tax group. For further information on this receivable, please see note 34. Current taxes

9. Tax receivables

This item mainly includes VAT recoverable, the tax credit for research and development and the tax credits described further in note 13. Provisions for risks and charges.

10. Other current financial assets

This item includes a start-up loan granted to Building App and a loan granted to a related party.

11. Liquid funds

The following table analyses liquid funds as at 31 December 2016 and 31 December 2015:

(thousands of euro)	**31/12/2016**	**31/12/2015**
Bank and post office deposits	70,519	65,065
Cash and equivalents on hand	33	25
Liquid funds	**70,552**	**65,090**

The bank and post office demand deposits earn interest at floating rates based on the yield of deposits. The fair value of liquid funds corresponds to their carrying amount.
The liquid funds reported in the statement of cash flows correspond to the liquid funds reported in the statement of financial position.

The changes in liquidity during the year are analysed in the statement of cash flows.

12. Shareholders’ equity

The following table analyses shareholders’ equity:

(thousands of euro)	31/12/2016	31/12/2015
Share capital	11,600	11,600
Legal reserve	2,320	2,320
Share premium account	32,179	32,179
Treasury shares	(20,771)	(20,771)
Retained earnings and reserves	196,210	188,735
Translation adjustments	(15,265)	(24,641)
Net profit for the year	13,140	15,217
Group shareholders' equity	**219,412**	**204,638**
Non-controlling interests in capital and reserves	(1,410)	(2,392)
Profit attributable to non-controlling interests	241	348
Equity attributable to non-controlling interests	**(1,169)**	**(2,044)**
Total shareholders' equity	**218,244**	**202,594**

Share capital is represented by 116,000,000 shares with a par value of Euro 0.1 each, totalling Euro 11,600,000.
The legal reserve is equal to one fifth of the share capital.
In prior years, as part of the buy-back programme authorised at the Shareholders' Meeting, the Group purchased 5,336,000 shares for a total of Euro 20,771 thousand. This amount is recognised as a direct deduction from shareholders' equity.
Retained earnings and reserves comprise undistributed profits and the consolidation reserve.

The number of shares outstanding at the end of 2016 is 110,664,000 and did not change during the year.

The translation adjustments reflect the differences arising on the translation to Euro of financial statements denominated in foreign currencies.

There are no profit reserves held by foreign subsidiaries that would bear a significant tax charge in the event of distribution to the parent company.

The equity attributable to non-controlling interests represents the portion of shareholders' equity and results for the year of subsidiaries that are not wholly owned.

Non-current liabilities

13. Provisions for risks and charges

The following table analyses the provisions for risks and charges as at 31 December 2016 and 31 December 2015:

(thousands of euro)	31/12/2016	31/12/2015
Product warranty	934	962
Miscellaneous risks	997	1,416
Agents' termination indemnity	67	361
Total provisions for risk and charges	**1,998**	**2,739**

Product warranty

The provision for product warranties reflects the estimated costs to be incurred, presumably over the two years following the reporting date, to fulfil the contractual warranty obligations in relation to products that have already been sold at the reporting date.

Miscellaneous risks

As at 31 December 2016, the provision for miscellaneous risks mainly includes amounts relating to the reorganisation work in progress.
In addition, having regard for the opinions of lawyers and tax advisors, Euro 500 thousand has been provided on a prudent basis in relation to the tax inspection that was completed in 2013. Based on the information available at present, this amount corresponds to the likely payment to be made. The Company has appealed to competent jurisdictions and against the notices of assessment received in December 2014, December 2015 and December 2016. The Company believes that there are good grounds that mitigate the risk of loss, despite the compulsory payment of part of the assessed amount.

Provision for agents' termination indemnity

This provision cover the indemnity payments that would have to be made to agents if their contracts were terminated for reasons attributable to the Company. The provisions have been calculated with reference to the collective agreements for the industrial sector and are based on the commissions earned by agents during 2016 and in prior years.
The change with respect to the prior year reflects the disposal of the FontanaArte line of business, which reduced the provision by Euro 295 thousand.

14. Employee benefits

This item comprises:

(thousands of euro)	**31/12/2016**	**31/12/2015**
Employee severance indemnities	1,729	1,750
Other defined benefit plans	2,005	-
Total employee benefits	**3,735**	**1,750**

The changes in employee severance indemnities (TFR) during the years ended 31 December 2016 and 31 December 2015 are analysed below:

(thousands of euro)	31/12/2016	31/12/2015
TFR, start of year pursuant to IAS 19	**1,668**	**1,661**
Provisions	66	152
Utilisation of TFR	(224)	(150)
Service cost	47	49
Interest cost	23	19
Actuarial gains/losses	68	(63)
TFR, end of year pursuant to IAS 19	**1,648**	**1,668**
Plan assets	82	82
Net TFR, end of year	**1,730**	**1,750**

The “Utilisation of TFR” was influenced by the transfer of the severance indemnities of the employees of the FontanaArte line of business on the disposal of that business.

The Group has determined the liability for employee severance indemnities correctly, using actuarial methods. In particular, the liability was measured by independent actuaries using the projected unit credit method.
The endowment policy arranged to guarantee the severance indemnities of employees has been classified as a deduction from the gross liability as it represents an asset servicing the benefit plan. Plan assets are stated at their carrying amount, which approximates their fair value at the reporting date.

The independent actuary used by the Group to determine the liability for employee severance indemnities made the following main assumptions:

- mortality rate: this information was determined by the actuary based on recent life-expectancy studies carried out by ANIA, which resulted in the creation of a new demographic base known as IPS 55. These studies were based on an ISTAT mortality projection for the Italian population covering the period 2001-2051, adopting an age-shifting approach to simplify the handling of tables by generation;

- disability rate: the annual probability of ceasing work due to invalidity was determined with reference to the INPS disclosures in 2000;

- annual probability of ceasing work due to other causes: this was assumed to be 5%, based on the historical trend of this parameter for the Company;

- annual probability of request for TFR advances: this was assumed to be 2%, based on the historical trend of this parameter for the Company;

- annual interest rate: an interest rate of 1.31% was used, based on the average duration of liabilities to employees;

- annual inflation rate: this was estimated to be 1.5% over the time period considered.

Other defined benefit plans

During 2016, the Board of Directors authorised a long-term incentive plan for the directors, executives with strategic responsibilities and other key employees of the Group.
This plan envisages the recognition of incentives linked to certain Group profitability parameters to be met during 2018 and, as required by IAS 19 Employee Benefits, a provision has been recorded for that part of the cost attributable to 2016.
The liability was determined by an independent actuary, whose calculation of the "earned benefits" applied the "Projected Unit Credit" (PUC) method envisaged in paras. 67-69 of IAS 19. This methodology essentially measures the average present value of the benefit entitlement attributable to the current and past periods of service provided by each employee.
In brief, measurement involves the following steps:

- calculating the deferred incentive for each plan participant and projecting forward the individual status of each person, with assessment each year of the achievement of personal objectives, continued employment and likely survival;
- discounting any amount to be paid back to the measurement date;
- allocating the discounted amount in proportion to the life of the plan at the measurement date with respect to its total expected duration, commencing from when the services were first provided.

The cost of the plan as it relates to the directors is discussed in Note 39. Related-party disclosures.

Certain foreign Group companies have arranged defined benefit plans for their employees totalling a maximum amount of Euro 1,665 thousand.

15. Long-term loans

This item comprises loans from BNP Paribas and Unicredit that were arranged to meet the strategic needs of the Group. These loans are repayable by 2018.

16. Other non-current liabilities

This item comprises the non-current portion of payables for the acquisitions carried out in 2015 and 2016 totalling Euro 19,837 thousand.

17. Deferred tax liabilities

The following table analyses the deferred tax liabilities, and the related temporary differences that gave rise to them, as at 31 December 2016 and 31 December 2015:

(thousands of euro)	31/12/2016 Amount of temporary differences	31/12/2016 Tax effect (% rate)	31/12/2016 Tax effect	31/12/2015 Amount of temporary differences	31/12/2015 Tax effect (% rate)	31/12/2015 Tax effect
Reversal of goodwill amortisation	3,301	24.00%	792	2,862	31.40%	899
Silentron technological know-how	220	27.90%	61	440	27.90%	123
Customer relationship - Apollo	254	35.00%	89	492	35.00%	172
Translation of foreign currency items	1,227	24.00%	295	-	-	-
FontanaArte trademark	-	-	-	14,191	27.90%	3,959
Other differences	3,121	27.90%	871			42
Total deferred tax liabilities			**2,108**			**5,195**

Following the purchase price allocation relating to the acquisitions made in previous years, tax liabilities were recognised, without charging the income statement, in relation to the intangible assets identified as they are not relevant for tax purposes.

The change during the year principally relates to the release of the liabilities recorded in relation to the FontanaArte trademark.

The tax rates applied are those in force in the countries where the acquired companies are based; in particular, the deferred tax liabilities relating to companies based in Italy have been adjusted to reflect the new IRES rate of 24% that came into force in 2017.

Current liabilities

18. Bank overdrafts and loans

This item mainly relates to bank advances and to the current portion of bank loans.

19. Other current financial liabilities

The other current financial liabilities as at 31 December 2016 include the fair value measurement of financial instruments.

20. Trade payables

The following table analyses trade payables as at 31 December 2016 and 31 December 2015:

(thousands of euro)	31/12/2016	31/12/2015
Trade payables - Italy	35,154	32,414
Trade payables - EU	8,351	9,930
Trade payables - outside EU	6,357	3,867
Total trade payables	**49,862**	**46,211**

Trade payables amount to Euro 49,862 thousand as at 31 December 2016, up by Euro 3,651 thousand since 31 December 2015.

Trade payables do not bear interest and are normally settled within 90-120 days. The terms and conditions applied by related parties are not different to those applied by third-party suppliers.

The carrying amount of trade payables corresponds to their fair value.

21. Other current liabilities

The following table analyses other current liabilities:

(thousands of euro)	**31/12/2016**	**31/12/2015**
Due to employees	5,725	4,679
Due to social security and pension institutions	2,332	2,465
Other payables	10,722	1,861
Total other current liabilities	**18,829**	**9,005**

Due to social security and pension institutions

The amounts due social security and pension institutions mainly comprise contributions relating to the year that were paid that the start of the following year.

Due to employees

The amounts due to employees comprise current payroll, bonuses and holidays not yet taken at the reporting date. These payables do not bear interest are generally paid during the following month, except for the holidays accrued but not taken that are either paid or used during the following year.

Other payables

The difference mainly relates to the first tranche of earn-out payable following the acquisition of Hy-Security Gate, Inc..

22. Tax payables (within 12 months)

Tax payables due within 12 months mainly comprise current taxes, net of the related advances paid and amounts already withheld.

Analysis of the principal captions of the consolidated income statement of the year ended 31 December 2016

23. Raw materials and consumables

The following table analyses the use of base components, ancillary materials and consumables:

(thousands of euro)	2016	2015
Purchases of base components, semi finished products and consumables:	*129,610*	*127,196*
Purchase of base components	124,278	121,826
Other industrial purchases	2,988	3,088
Commercial purchases	2,345	2,282
Change in inventories	*3,386*	*(6,885)*
Use of base components and consumable materials	**132,996**	**120,311**

The use of base components, semi-finished products and consumables has increased by 12,686 thousand.

24. Services

The following table analyses the cost of services:

(thousands of euro)	2016	2015
Direct production services	17,596	16,213
Industrial services	6,350	6,142
Commercial services	22,277	22,456
General services	15,583	14,640
Total cost of services	**61,806**	**59,451**

The cost of services has increased by Euro 2,355 thousand.
Direct production services mainly relates to outsourced processing. Industrial services comprise outsourced planning and design services, certifications and trademark and patent expenses. Commercial costs mainly relate to the transportation of sales, commissions, travel, board and lodging and other commercial costs, as well as marketing and advertising costs. General services include the fees of directors and statutory auditors, legal, tax, notarial and financial consulting, insurance, utilities and other general costs.

25. Leases and rentals

The following table analyses the cost of leases and rentals:

(thousands of euro)	2016	2015
Rental expense	6,707	6,075
Hire fees	2,098	2,125
Total leases and rentals	**8,804**	**8,201**

Rental expense mainly relates to the properties used by Group companies for their activities and, in particular, to the headquarters of Nice S.p.A., rent from Nice Immobiliare S.r.l., a related party. The rentals paid to Nice Immobiliare were determined with reference to an appraisal provided by an independent expert.

Hire fees (mainly for motor vehicles) relate to the use of motor vehicles under long-term rental contacts.

26. Payroll costs

The following table analyses payroll costs:

(thousands of euro)	2016	2015
Wages and salaries	46,399	43,155
Social security contributions	10,448	9,842
Severance indemnities	1,091	886
Other charges	1,964	1,765
Total payroll costs	**59,902**	**55,648**

The Group employs 1,575 persons as at 31 December 2016, compared with 1,510 in 2015.

27. Other operating costs

Other operating costs include the provision made for doubtful accounts in order to adjust trade receivables to their realisable value. The residual amount relates to losses on receivables and other costs, such as general expenses, bank commissions and various taxes and duties.

28. Depreciation and amortisation

The following table shows analyses the depreciation and amortisation charges:

(thousands of euro)	2016	2015
Depreciation of property, plant and equipment	6,815	6,359
Amortisation of intangible assets	2,304	2,142
Total depreciation and amortisation	**9,119**	**8,501**

The depreciation of property, plant and equipment mainly consists of the depreciation of moulds, testing machinery, industrial equipment, furniture, furnishings and hardware.

29. Asset impairment

Certain intangible assets and property were written down by Euro 7,089 thousand as at 31 December 2016, following their measurement at fair value rather than their value in use.
In particular, the net intangible assets of the lighting business were written down during the year by Euro 5,089 thousand. In addition, the Corsico property, which houses the FontanaArte line of business that was sold in Q4 2106, was written down by Euro 2,000 thousand following its reclassification as investment property no longer used in Group operations.

30. Other income

Other income amounted to Euro 3,807 thousand in the year ended 31 December 2016, and mainly relates to the recharge of transport costs, insurance reimbursements and other amounts recharged to customers.

31. Financial income

The following table analyses financial income:

(thousands of euro)	**2016**	**2015**
Bank interest income	588	874
Exchange gains	3,213	5,913
Other financial income	102	222
Total financial income	**3,903**	**7,009**

Exchange gains mainly relate to the unrealised profits recognised on the translation, using the exchange rates in force at the reporting date, of assets and liabilities not denominated in Euro.

32. Financial expense

The following table analyses financial expense:

(thousands of euro)	**2016**	**2015**
Cash discounts	2,750	2,407
Exchange losses	2,481	6,058
Bank interest expense	726	721
Other financial charges	656	1,588
Total financial expense	**6,614**	**10,774**

Financial expense amounted to Euro 6,614 thousand in 2016 following a reduction of Euro 4,160 thousand due, in the main, to the decline in unrealised exchange losses deriving from the translation of assets and liabilities not denominated in Euro using the year-end exchange rates.

33. Other charges

Other charges related to the costs incurred by the Group during the last year for the restructuring of certain subsidiaries.

34. Income taxes

The following table analyses income taxes, distinguishing between the current taxes and the changes in deferred taxes, as well as between Italian and foreign taxes:

(thousands of euro)	**2016**	**2015**
IRES	1,986	3,573
IRAP	575	1,017
Foreign income taxes	(9,318)	9,113
Current taxes	**11,878**	**13,704**
Net change in deferred taxation	363	(320)
Total income taxes	**12,241**	**13,383**

The following table analyses on a comparative basis the incidence of taxes on pre-tax profit:

(thousands of euro)	**2016**	**2015**
Pre-tax profit	25,623	28,948
Income taxes	12,241	13,383
Incidence on pre-tax profit	**47.8%**	**46.2%**

The reconciliation of the theoretical and effective tax charges is only presented for IRES - whose structure has the typical features of a corporate income tax - and uses the tax rate applicable to the Group. No reconciliation of the theoretical and effective tax charges is presented for IRAP, a regional tax paid by Italian companies, due to the different basis used to calculate this tax.

Theoretical income tax calculation	**2016**		**2015**	
Pre-tax profit	25,623		28,948	
Theoretical taxes	7,046	27.5%	7,961	27.5%
Effective taxes	12,241	47.8%	13,383	46.2%
Difference	*5,195*	20.3%	*5,423*	18.7%
IRAP	575	2.2%	1,017	3.5%
Disallowed items	(603)	-2.4%	2,553	8.8%
Deferred taxes	390	1.5%	50	0.2%
Effect on dividends received	(473)	-1.8%	105	0.4%
Different tax rates in foreign countries	993	3.9%	3,317	11.5%
ACE	(939)	-3.7%	(735)	-2.5%
Other differences	5,252	20.5%	(884)	-3.1%
Total differences	*5,195*	20.3%	*5,423*	18.7%

The tax rate for the year was 47.8%, up from 46.2% last year. The increase in the tax rate was mainly attributable to the different geographical distribution of profits.

Income taxes were calculated with reference to taxable income and in compliance with the legislation in force in the individual countries. The Group's Italian companies are members of the domestic tax group envisaged in arts. 117 et seq. of the TUIR (Consolidated Income Tax Law) - Presidential Decree 917 dated 22 December 1986, with Nice Group S.p.A. as the consolidating company. The relations deriving from membership of this domestic tax group are governed by a specific regulations approved and signed by each member company. Under these regulations, the members determine and then transfer their current taxes to the parent company. In the case of a tax loss, they record a tax credit and an amount receivable from Nice Group S.p.A. while, in the case of taxable income, they record the current taxation and an amount payable to the parent company. Transactions among the parties are governed by a contract that envisages full recognition, at the current IRES rate, for the taxable income and tax losses transferred.

35. Segment information

For management purposes, the Group comprises just one business segment, within which there are product differentiations that, however, are not separate business units. Given this and consistent with the approach adopted in previous financial statements pursuant to IFRS 8, the Group has decided to provide information by geographical area. This dimension is closely analysed and managed by senior management, which uses it to assign operational responsibilities.

In order to show how management analyses and reads this data in the best possible way, the groupings by geographical area are presented on the basis of sales by destination market.

The following tables analyse the revenues and certain assets of the Group's sectors of activity for 2016 and 2015.

(thousands of euro)	2016 Italy	France	EU 15	Rest of Europe	Rest of the world	Consolidated
Net sales (1)	36,268	41,556	86,051	55,003	90,184	309,062
Non-current assets (*)	24,884	14,860	38,914	27,652	64,523	170,834
Non-current liabilities (**)	(11,307)	(8,566)	(21,045)	(13,966)	(26,231)	(81,116)

(*) Excluding deferred tax assets
(**) Excluding deferred tax liabilities

(thousands of euro)	2015 Italy	France	EU 15	Rest of Europe	Rest of the world	Consolidated
Net sales (1)	36,657	40,079	81,353	53,677	75,995	287,761
Non-current assets (*)	19,317	11,536	30,209	21,466	50,089	132,616
Non-current liabilities (**)	(10,015)	(7,587)	(18,642)	(12,370)	(23,234)	(71,849)

(*) Excluding deferred tax assets
(**) Excluding deferred tax liabilities

Please see the section on “Consolidated revenues” in the Report on Operations for an explanation of the most significant changes, as required by IAS 4.

36. Earnings per share

As required by IAS 33, information is provided on the data used to calculate the basic and diluted earnings per share (EPS).
EPS is calculated by dividing the net profit for the year attributable to the shareholders of the Group by the weighted average number of shares outstanding during the year.

For the calculation of basic EPS, the numerator is the net profit for the year less the portion attributable to non-controlling interests. There are no preference dividends, conversions of preference shares or other similar effects requiring adjustments to the results attributable to the holders of ordinary equity instruments.
Diluted EPS is the same as basic EPS, since there are no ordinary shares that could have a diluting effect, or shares or warrants that could have the same effect, and, based on the current plan, there is no likelihood that stock options will vest.

The following table presents the results and the number of ordinary shares used to calculate basic EPS in accordance with the methodology envisaged by IAS 33.

Consolidated earnings per share	**2016**	**2015**
(thousands of euro)		
Average no. of shares	110,664,000	110,664,000
Results attributable to owners of the parent	13,141	15,217
Data per share (Euro)		
Basic, net profit attributable to the ordinary shareholders of the parent	0.11874	0.13751
Diluted, net profit attributable to the ordinary shareholders of the parent	0.11874	0.13751

No transactions involving ordinary shares have occurred between the reporting date and the date of preparing these financial statements.

37. Dividends paid and proposed

The dividends proposed for approval at the Shareholders' Meeting (not recognised as a liability as at 31 December 2016) amount to Euro 0.1 per share (2015: Euro 0.0703). Considering the number of outstanding shares as at 31 December 2016, the total payment would be Euro 11,066 thousand. The coupon would be clipped on 29 May 2017, with payment on 31 May 2017, and the record date would be 30 May 2017.

38. Commitments and contingencies

The Group has entered into several lease contracts for industrial and commercial properties. In particular, the Parent Company's contracts have a duration of six years and may be automatically renewed upon expiry for a further six-year period; they are index-linked to the Istat consumer price index. The lease contracts mainly relate to properties leased from Nice Immobiliare Srl, a related party.

The following table shows the future lease payments relating to these contracts and to the principal lease contracts arranged by subsidiaries:

(thousands of euro)	**31/12/2016**	**31/12/2015**
within 1 year	7,414	7,264
between 1 and 5 years	16,333	14,220
beyond 5 years	7,969	1,702
Total commitments	**31,716**	**23,185**

39. Related-party disclosures

Nice Spa is a subsidiary of Nice Group S.p.A., another Italian company. The Group carries out the following transactions with related parties:

- Nice Group S.p.A.: property lease and receivables deriving from membership of the domestic tax group;
- Nice Immobiliare S.r.l.: property leases and renovation of a building;

- Nice Real Estate SL: property lease to Nice Automatismos Espana S.A.;
- Nice Real Estate SRL: property lease to S.C. Nice Romania S.A. and financial payable to S.C. Nice Romania S.A.;
- Dorado Srl: a company owned by Giuseppe Mallarino, who is also the CEO of Silentron S.p.A.; property lease to Silentron S.p.A.;
- Companies linked to the non-controlling owners of Nice Home Automation CJSC: trade relations with Nice Home Automation CJSC and Nice S.p.A.;
- Fly Nice: consortium established by Nice S.p.A. and other companies owned by Lauro Buoro, which provides air transport services to consortium members. The Fly Nice consortium was put into liquidation on 22 December 2016;
- Fattoria Camporotondo S.agr.s.: supply of wine products. This company is indirectly owned by Lauro Buoro, who is also the Chairman of Nice S.p.A.;
- Modular Professional S.r.l.: supply of production materials and purchase of certain fixed assets. This company is indirectly owned by Lauro Buoro, who is also the Chairman of Nice S.p.A.;
- SCI New Real: property lease to Nice France S.a.S.. Lauro Buoro, who is also the Chairman of Nice S.p.A., has an equity interest in this company, as does another director of the Group.
- Italian Creation Group S.p.A. (ICG): lease of property to FontanaArte S.p.A., a subsidiary of ICG, used for production, offices and warehousing, and service contract covering Administration and Finance, Credit Management, Information Technology, Purchasing, Planning, Logistics and Customer Relations. Nice Group S.p.A. has an equity interest in this company, therefore, is indirectly owned by Lauro Buoro, who is also the Chairman of Nice S.p.A..

Sales and purchases among related parties take place at current market prices. The balances outstanding at the reporting date are unsecured, do not generate interest and are settled in cash. No guarantees have been given or received in relation to amounts due to and from related parties.
As at 31 December 2016, the Group has not recorded any allowances for doubtful accounts in relation to the amounts due from related parties. This assessment is made each year by examining the financial position of related parties and the markets in which they operate.

Economic and financial transactions during 2016 are summarised in the table below, which does not include the financial liabilities deriving from the acquisition of non-controlling interests (amounts in thousands of Euro).

Company / natural person	Revenues	Investment	Leases and rentals	Services	Trade payables	Trade receivables	Other current receivables/payables	Financial receivables
Nice Group S.p.A.	5	-	(136)	-	-	16	1,048	-
Nice Immobiliare S.r.l.	10	(301)	(2,701)	(9)	(182)	1	36	-
Nice Real Estate SL	-	-	(418)	-	-	-	-	-
Nice Real Estate SRL	-	-	(65)	-	(18)	-	-	941
Dorado S.r.l.	-	-	(140)	-	-	-	-	-
Nice Home Automation	528	-	-	-	(9)	40	-	-
Fly Nice consortium	-	-	-	(30)	-	-	-	-
New Real	-	-	(112)	-	-	-	-	-
Fattoria Camporotondo S. agr. S. S.	4	-	-	(38)	(38)	5	-	-
Modular Professional Srl	49	-	-	-	-	18	-	-
Italian Creation Group S.p.A.	-	-	-	-	(11)	235	(342)	-
Total related parties	**596**	**(301)**	**(3,572)**	**(77)**	**(258)**	**315**	**742**	**941**

Pursuant to Consob resolution 15520 date 27 July 2006, it is confirmed that none of the above transactions are considered significant and therefore they are not indicated separately in the consolidated financial statements.

The fees earned by the directors and statutory auditors for their work on behalf of Nice S.p.A. and the subsidiaries of Nice S.p.A. are presented below. This complies with art. 78 of the Issuers' Regulation no. 11971/99 as subsequently amended, and with the provisions of Attachment 3 C of that Regulation (amounts in thousands of Euro):

Person	Office	Duration in office	Remuneration as member of corporate body	Remuneration as an employee	Fringe benefits	Total
Lauro Buoro	Chairman	2016-2018	448		11	459
Roberto Griffa	Chief Executive Officer	2016-2018	324		14	338
Denise Cimolai	Director	2016-2018	12	90	3	105
Lorenzo Galberti	Director	2016-2018	186		3	189
Giorgio Zanutto	Director	2016-2018	380	85	4	468
Chiara Mio	Director	2016-2018	28			28
Luciano Iannuzzi (*)	Director	2015	51		2	53
Antonio Bortuzzo	Independent director	2016-2018	22			22
Emanuela Paola Banfi	Independent director	2016-2018	12			12
Gian Paolo Fedrigo (**)	Independent director	2015	4			4
Giuliano Saccardi	Chairman of the Board of Statutory Auditors	2015-2017	26			26
Monica Berna	Serving Auditor	2015-2017	14			14
Enzo Dalla Riva	Serving Auditor	2015-2017	14			14
Total fees			**1,520**	**175**	**36**	**1,732**

(*) Office terminated on 11 March 2016 following resignation

(**) Office terminated on 22 April 2016 on normal expiry of mandate

The amounts shown above include short-term and termination benefits accrued and paid to the directors and statutory auditors of Nice Spa.

In addition to the remuneration reported in the above table, during 2016, the Board of Directors authorised a long-term incentive plan for the directors, executives with strategic responsibilities and other key employees of the Group.

The 2016 service cost relating to the directors was Euro 136 thousand.

40. Policies and objectives for the management of financial risk

The Group's net financial position reflects an excess of liquid funds over financial payables of Euro 5,932 thousand.
The Group also holds financial instruments, mainly trade receivables and payables, and in some cases bank advances or overdrafts directly arising from operations.

Credit risk

Credit risk is the exposure to potential losses arising from the failure to meet commitments of trade and financial counterparties.
The Group tends to minimise the risk deriving from customer insolvencies by only dealing with known, reliable and solvent customers. Group policy is to check the credit worthiness of customers that request extended payment terms. In addition, receivables are monitored during the year so that the exposure to losses is not significant. Lastly, in the case of new customers not operating in the European Union, the Group usually requests and obtains letters of credit. There is no significant concentration of credit risk within the Group.
The maximum credit risk relating to the Group's other financial assets, which include liquid funds, is limited to their carrying amount if the counterparty becomes insolvent.

Liquidity risk

Liquidity risk is related to the possibility of not having the financial resources needed to meet the obligations associated with financial and trade liabilities within the established deadlines.
It is believed that there is essentially no liquidity risk, given the cash flows that the Group has always generated and expects to continue generating.

Exchange-rate risk

The Nice Group exports its products throughout the world: foreign sales currently exceed 85% of the total. The special characteristics of the business, the distribution model and the financial structure are factors that expose the Group to exchange-rate risk.
The main objective of the Nice Group is to limit the currency exposure arising from the export of finished products, primarily via the offset of collection and payment flows (natural hedging) settled in the same currency.

Interest-rate risk

Bank loans expose the Group to the risk of changes in interest rates, particularly with reference to floating-rate loans. The Group manages this risk by recourse to Interest Rate Swaps (IRS).

41. Capital management

The Group has limited liabilities to financial intermediaries and has a financial position that guarantees the payment of an adequate dividend to shareholders and the pursuit of a growth strategy that includes acquisitions.
In order to maintain or adjust the capital structure, the Group can adjust the dividends paid to shareholders, redeem share capital or issue new shares.
No changes were made to the objectives, policies or procedures during the past year.

42. Financial instruments

Fair value

Comparison by class of the carrying amount and fair value of all the financial instruments recognised in the financial statements does not identify any significant differences that should be mentioned, besides those highlighted.
As required by paras. 25 and 27 of IFRS 7, the table below compares by class the carrying amount and fair value of all the financial instruments recognised in the financial statements:

(thousands of euro)	Carrying amount 31/12/2016	Fair value 31/12/2016
Financial assets at fair value through profit or loss	-	-
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	-	-
Financial liabilities at fair value through profit or loss	142	142
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	*142*	*142*
Financial assets measured at amortised cost	130,792	130,792
Trade receivables	*56,726*	*56,726*
Other financial assets	*3,514*	*3,514*
Liquid funds	*70,552*	*70,552*
Financial liabilities measured at amortised cost	64,043	64,043
Bank overdrafts and loans	*14,181*	*14,181*
Trade payables	*49,862*	*49,862*
Other non-current financial liabilities	-	-
Financial assets at fair value through comprehensive income	-	-

(thousands of euro)	Carrying amount 31/12/2015	Fair value 31/12/2015
Financial assets at fair value through profit or loss	-	-
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	-	-
Financial liabilities at fair value through profit or loss	560	560
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	*560*	*560*
Financial assets measured at amortised cost	125,191	125,191
Trade receivables	*56,587*	*56,587*
Other financial assets	*3,514*	*3,514*
Liquid funds	*65,090*	*65,090*
Financial liabilities measured at amortised cost	54,861	54,861
Bank overdrafts and loans	*7,395*	*7,395*
Trade payables	*46,211*	*46,211*
Other non-current financial liabilities	1,255	1,255
Financial assets at fair value through comprehensive income	-	-

Fair value measurement and hierarchy

Regarding financial instruments recognised in the statement of financial position at fair value, IFRS 7 requires these values to be classified in a hierarchy of levels that reflects the significance of the inputs used when measuring fair value. The following levels are identified:

- Level 1 – quoted prices in an active market for the asset or liability being measured;
- Level 2 – inputs other than the quoted prices included within Level 1, that are observable in the market, either directly (prices) or indirectly (derived from prices);
- Level 3 – inputs not based on observable market data.

All assets and liabilities measured at fair value as at 31 December 2016 can be classified in Level 2 of the fair value hierarchy. In addition, during 2016 there were no transfers from Level 1 to Level 2 or Level 3 or vice versa.

With regard to derivative financial instruments, as at 31 December 2016, the Group has only arranged IRS hedging contracts on the interest rate of a bank loan.

43. Activities sold during the year

Pursuant to the agreement reached on 5 August 2016 (as detailed in the Disclosure of related-party transactions made available to the public), on 14 October 2016 the disposal of the FontanaArte line of business was completed by forming a NewCo that was then sold to Italian Creation Group S.p.A.
The transaction amounted to Euro 15,000 thousand as consideration for 100% of the share capital of the company sold. This amount represented the sum of the enterprise value and the net financial position of the company sold. The net financial position was subsequently redetermined, in the manner and with the timing envisaged in the agreement, resulting in an adjustment reducing the price paid by Euro 342 thousand. The consideration collected on the date of signing the sale contract amounted to Euro 15 million.

The net operating assets sold as at 30 September 2016 totalled Euro 14.8 million.

Operating information for the line of business sold is presented below for the first nine months of 2016 and the full twelve months of 2015:

(thousands of euro)	**30/09/2016**	**31/12/2015**
Revenues	**9,536**	**12,901**
Cost of sales	(3,549)	(4,736)
Gross profit	**5,986**	**8,165**
Operating costs	(5,964)	(8,658)
EBITDA	**22**	**(493)**
Depreciation, amortisation and impairment	(5,274)	(136)
EBIT	**(5,252)**	**(629)**
Financial management and other costs	(50)	69
Pre-tax results of the line of business sold	**(5,302)**	**(560)**
Taxes	1,213	401
Net results of the line of business sold	**(4,089)**	**(159)**

44. Subsequent events

No significant events have occurred subsequent to 31 December 2016.

These consolidated financial statements provide a true and fair view of the financial position and of the consolidated results of operations during 2016.

Oderzo, 14 March 2017.

For the Board of Directors

The Chairman

Lauro Buoro

Attachments to the consolidated financial statements

List of consolidated companies as at 31 December 2016

Name	Location	Year end	Currency	Share capital	% held direct	indirect	total
Nice S.p.A.	Oderzo (TV) Italy	31/12/2016	EUR	11,600,000			
Nice UK LTD	Nottinghamshire, United Kingdom	31/12/2016	GBP	765,000	100.0%		100.0%
Nice Belgium S.A.	Hervelee, Belgium	31/12/2016	EUR	212,000	99.7%		99.7%
Nice Polska S.p. Z.o.o.	Pruszkov, Poland	31/12/2016	PLN	1,000,000	100.0%		100.0%
Nice Automatismos Espana S.A.	Mostoles, Madrid, Spain	31/12/2016	EUR	150,253	60.0%		60.0%
Nice Group USA Inc.	San Antonio, Texas, USA	31/12/2016	USD	1	100.0%		100.0%
Nice France S.a.s.	Aubagne, France	31/12/2016	EUR	600,000	100.0%		100.0%
S.C. Nice Romania S.A.	Bucharest, Romania	31/12/2016	RON	383,160	99.0%		99.0%
Nice Deutschland GmbH	Billerbeck, Germany	31/12/2016	EUR	50,000	100.0%		100.0%
Nice Shanghai Automatic Control Co. LTD	Shanghai, China	31/12/2016	EUR	2,300,000	100.0%		100.0%
R.D.P. Shanghai Trading Co. LTD	Shanghai, China	31/12/2016	EUR	200,000	100.0%		100.0%
Nice Istanbul Makine Ltd	Istanbul, Turkey	31/12/2016	TRY	10,560,000	99.0%		99.0%
Nice Australia Home Automation PTY Ltd	Sidney, Australia	31/12/2016	AUD	5,113,814	100.0%		100.0%
AutomatNice Portugal S.A.	Lisbon, Portugal	31/12/2016	EUR	50,000	100.0%		100.0%
Silentron S.p.A.	Turin, Italy	31/12/2016	EUR	500,000	100.0%		100.0%
ET Nice (PTY) LTD.	Johannesburg, South Africa	31/12/2016	ZAR	22,000,000	100.0%		100.0%
Nice Home Automation CJSC	Moscow – Russia	31/12/2016	RUB	20,000	75.0%		75.0%
SAAC S.r.l.	Treviso (Italy)	31/12/2016	EUR	25,000	100.0%		100.0%
Fenice Immobiliare S.p.A. (formerly Fontana Arte S.p.A.) (**)	Oderzo (TV) Italy	31/12/2016	EUR	2,670,000	100.0%		100.0%
FontanaArte Corp. (USA) (***)	Wilmington - Delaware (USA)	30/09/2016	USD	12,000		100.0%	100.0%
FontanaArte Trading Co. Ltd (***)	Shanghai, China	30/09/2016	CNY	1,136,564		100.0%	100.0%
FontanaArte France S.a.S. (***)	Aubagne, France	30/09/2016	EUR	10,000		76.0%	76.0%
Peccinin Portoes Automaticos Industrial Ltda	Limeira, Brazil	31/12/2016	BRL	32,095,000	100.0%	0.0%	100.0%
King Gates S.r.l.	Pordenone, Italy	31/12/2016	EUR	100,000	100.0%	0.0%	100.0%
King Gates France SAS	Castelnau D'estrefonds	31/12/2016	EUR	10,000	100.0%	0.0%	100.0%
elero GmbH	Beuren, Germany	31/12/2016	EUR	1,600,000		100.0%	100.0%
elero Motors & Controls Pvt. Ltd	New Delhi, India	31/12/2016	INR	638,200		100.0%	100.0%
elero Singapore Pte. Ltd	Singapore, China	31/12/2016	SGD	2		100.0%	100.0%
elero AB	Malmo, Sweden	31/12/2016	SEK	100,000		100.0%	100.0%
Nice Gulf FZE	Dubai, United Arab Emirates	31/12/2016	AED	1,008,000	100.0%		100.0%
ET Systems (Pty) Ltd (****)	Cape Town, South Africa	28/02/2017	ZAR	150		100.0%	100.0%
Genno Tecnologia LTDA	Santa Rita do Sapucaí, Brasile	31/12/2016	BRL	5,000		51.0% (*)	51.0% (*)
Omegaport Equipamentos de Seguranca LTDA	Toledo (PR), Brasil	31/12/2016	BRL	60,000		51.0% (*)	51.0% (*)
Hy-Security Gate, Inc.	Kent, Washington, USA	31/12/2016	USD	200,000		100.0%	100.0%

(*) Usufruct right over the shares

(**) Following the sale of the FontanaArte line of business, FontanaArte S.p.A. immediately changed its name and corporate objects.

(***) Companies sold on 14.10.2016 via the sale of the FontanaArte line of business to Italian Creation Group S.p.A.

(****) ET Systems (Pty) Ltd was absorbed by ET Nice (PTY) Ltd with effect from 1.09.2016. Work to deregister the company name is currently in progress.

Certification of the consolidated financial statements pursuant to art. 154 bis of Decree 58/98 (Consolidated Finance Law - TUF)

1. The undersigned Roberto Griffa, in his capacity as Chief Executive Officer, and Denise Cimolai, in her capacity as Financial Reporting Manager of Nice S.p.A., hereby certify, taking into account the requirements of art. 154-bis, paras. 3 and 4, of Decree 58 dated 24 February 1998:

- the adequacy in relation to the characteristics of the business and
- the effective application

of the administration and accounting procedures for the preparation of Consolidated Financial Statements for the period from 1 January 2016 to 31 December 2016.

2. The adequacy and effectiveness of Nice's administrative-accounting internal control system have been analysed and assessed by establishing a uniform administrative-accounting Internal Control System Model common to the entire Group, developed consistently with the most commonly applied international framework, i.e. the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO Report), and also by adopting the international auditing standards and best practices.

3. It is further certified that:

3.1 the consolidated financial statements:

a) have been prepared in accordance with the applicable International Accounting Standards endorsed by the European Union in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002, as well as with the enabling measures specified in art. 9 of Decree 38/2005;

b) agree with the underlying accounting records and entries;

c) are appropriate to provide a true and fair view of the economic and financial position of the issuer and of the companies included within the scope of consolidation.

3.2 the report on operations contains a reliable analysis of performance and the results of operations, as well as of the situation of the issuer and of the companies included within the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Oderzo, 14 March 2017

Roberto Griffa	Denise Cimolai
(Chief Executive Officer)	(Financial Reporting Manager)

This is an English translation of the original Italian document

NICE S.P.A.

REGISTERED OFFICE IN ODERZO – VIA PEZZA ALTA 13, Z.I. RUSTIGNÈ

SHARE CAPITAL EURO 11,600,000.00 FULLY PAID

TREVISO COMPANIES REGISTER AND TAX CODE NO. 02717060277

* * * *

REPORT OF THE BOARD OF STATUTORY AUDITORS

TO THE SHAREHOLDERS' MEETING

ON THE CONSOLIDATED FINANCIAL STATEMENTS

Shareholders,

We have been provided with the 2016 consolidated financial statements of your company within the legally required times, accompanied by the Report on Operations, and prepared in compliance with the International Financial Reporting Standards – IFRS) promulgated by the International Accounting Standard Board (IASB) and adopted by the European Union.

In accordance with Italian Legislative Decree no. 39 of 27 January 2010 and art. 41, paragraph 2, of Italian Legislative Decree no. 127 of 9 April 1991, the independent auditors, BDO Italia S.p.A., were assigned to check conformance of the Consolidated Financial Statements with the law and their correspondence with the accounting and consolidation entries.

Our supervisory activity was performed in accordance with the standards of conduct for the Board of Statutory Auditors issued by the Italian Associations of Chartered Certified Accountants and involved, in particular:

- checking on the existence and suitability within the organisational structure of Nice S.p.A. of a department responsible for relations with subsidiary and associated companies;
- examining the composition of the Group and the relationships of participation, in order to assess how the scope of consolidation has been determined and how it has changed with respect to the previous financial statements;
- obtaining information on the activities carried out by subsidiary companies and on the most important transactions at an economic, financial and equity level in Group relations, through information received from the directors of Nice S.p.A., the independent auditors and the auditors of the subsidiary companies.

Following our supervisory activity on the consolidated financial statements, we declare that:

- determination of the scope of consolidation and choice of the principles of consolidation applied to participated companies correspond with the requirements of International Accounting Standards (IFRS);
- the formation and layout of the Financial Statements and the Report on Operations comply with laws on this;
- we supervised suitability of the instructions given by the competent department of Nice S.p.A. to obtain the flow of data necessary for consolidation;
- the Financial Statements correspond with the facts and the information learned by the Statutory Board of Auditors in performing its supervisory activities and exercising its audit and inspection powers;

- The Group Report on Operations corresponds with the data and results of the Consolidated Financial Statements and provides extensive information on the Group's economic and financial performance and on the risks to which it is subject, and also on important events which occurred after the end of the company year.

The Chief Executive Officer and the Financial Reporting Manager issued the certification pursuant to art. 81-ter of Consob Regulation no. 11971/1999 and subsequent amendments and additions and art. 154-bis of Italian Legislative Decree 58/1998.

On 30 March 2017, the independent auditors issued the report pursuant to arts. 14 and 16 of Italian Legislative Decree no. 39/2010, from which it emerges that the Consolidated Financial Statements for the year ending at 31 December 2016 satisfy International Accounting Standards (IFRS), and also the measures passed in enactment of art. 9 of Italian Legislative Decree no. 38/2005, have been prepared clearly and provide a true and fair view of the equity, financial position, economic results and cash flows of the Nice Group for the year ending at that date.

Oderzo, 30 March 2017

for THE BOARD OF STATUTORY AUDITORS

The Chairman

Giuliano Saccardi

The report has been translated into english language solely for the convenience of International readers

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This is an English translation of the original Italian document

INDEPENDENT AUDITORS'REPORT IN ACCORDANCE WITH ART. 14 AND 16 OF LEGISLATIVE DECREE N0.39 OF JANUARY 27th,2010

To the shareholders of Nice S.p.A.

Report of the consolidated financial statements

We have audited the consolidated financial statements of Nice S.p.A. and its subsidiaries (the Nice Group), which comprise the consolidated statement of financial position as of December 31st 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended and related explanatory notes.

Directors'responsibility for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree No. 38/05.

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 International Standards on Auditing (ISA Italia) drawn up pursuant to art. 11 of Legislative Decree No. 39/2010. 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 misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Nice Group as of December 31st 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree No. 38/05.

Report on compliance with other laws and regulation

Opinion on the consistency of the consolidated financial statements with the report on operations and of certain information set out on corporate governance and ownership structure

We have performed the procedures required by auditing standard (SA Italia) N0. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in art. 123-bis, paragraph 4 of Legislative Decree No. 58/98, which are the responsibility of the directors of Nice S.p.A., with the consolidated financial statements of Nice Group. In our opinion, the report on operations and of the information set out in the report on corporate governance and ownership structure mentioned above are consistent with the consoldiated financial statements of Nice Group as of December 31st 2016.

Treviso, March 30th 2017

BDO Italia S.p.A.

Signed by: Stefano Bianchi - Partner

The report has been translated into english language solely for the convenience of International readers

Financial statements of Nice S.p.A. as at 31 December 2016

Statement of financial position of Nice S.p.A. as at 31 December 2016 and 31 December 2015 *

(amounts in euro)	Note	31/12/2016	31/12/2015
ASSETS			
Non-current assets			
Intangible assets	(1)	7,648,533	5,787,445
Property, plant and equipment	(2)	17,533,358	14,640,624
Equity investments	(3)	145,861,033	124,310,242
Other non-current financial assets	(4)	3,576,380	3,588,880
Non-current financial assets - subsidiaries	(5)	51,368,409	53,344,940
Deferred tax assets	(6)	1,421,974	1,749,810
Total non-current assets		**227,409,688**	**203,421,941**
Current assets			
Inventories	(7)	22,337,031	24,709,924
Trade receivables	(8)	37,485,678	53,251,842
- inc. due from affiliates		*25,067,980*	*38,619,761*
Other current assets	(9)	1,138,474	1,370,326
Tax receivables	(10)	2,631,079	1,134,852
Other current financial assets	(11)	300,000	-
Liquid funds	(12)	47,161,792	44,221,253
Total current assets		**111,054,055**	**124,688,197**
Total assets		**338,463,742**	**328,110,138**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		11,600,000	11,600,000
Legal reserve		2,320,000	2,320,000
Share premium account		32,179,122	32,179,122
Treasury shares		(20,771,291)	(20,771,291)
Retained earnings		192,071,899	183,565,576
Net profit for the year		12,354,912	16,299,202
Total shareholders' equity	(13)	**229,754,642**	**225,192,609**
Non-current liabilities			
Provisions for risks and charges	(14)	1,206,237	1,206,491
Employee benefits	(15)	502,781	472,754
Long-term loans	(16)	55,000,000	60,000,000
Deferred tax liabilities	(17)	1,086,673	728,655
Total non-current liabilities		**57,795,691**	**62,407,900**
Current liabilities			
Bank overdrafts and loans	(18)	10,000,000	5,000,000
Other financial liabilities	(19)	141,961	140,579
Trade payables	(20)	36,317,768	32,476,168
- inc. due to affiliates		*4,690,295*	*5,068,601*
Other current liabilities	(21)	3,704,436	2,843,509
Tax payables (within 12 months)		749,246	49,372
Total current liabilities		**50,913,410**	**40,509,629**
Total liabilities		**108,709,100**	**102,917,529**
Total liabilities and shareholders' equity		**338,463,742**	**328,110,138**

Income statement of Nice S.p.A. for 2016 and 2015 *

(amounts in euro)	**Note**	**2016**	**2015**
Revenues	(22)	**111,293,000**	**113,061,427**
- inc. affiliates		*64,888,041*	*66,552,143*
Operating costs:			
Use of base components and consumable materials	(23)	(55,827,434)	(52,468,599)
Services	(24)	(26,409,021)	(27,877,177)
Leases and rentals	(25)	(3,483,610)	(3,506,112)
Payroll costs	(26)	(12,327,736)	(13,805,952)
Other operating costs	(27)	(1,223,572)	(2,174,384)
Depreciation and amortisation	(28)	(4,210,419)	(4,112,881)
Other income	(29)	4,493,169	3,571,220
Operating profit		**12,304,376**	**12,687,542**
Financial income	(30)	4,984,149	8,777,100
Financial expense	(31)	(2,063,705)	(1,238,967)
Other charges		-	(23,043)
Pre-tax profit		**15,224,819**	**20,202,632**
Income taxes	(32)	(2,869,908)	(3,903,430)
Net profit		**12,354,912**	**16,299,202**

* Pursuant to Consob resolution 15519 dated 27 July 2006, the effects of transactions with related parties are described in note 39.

Consolidated earnings per share	**2016**	**2015**
Basic, net profit attributable to the ordinary shareholders of the parent	0.1187	0.1375
Diluted, net profit attributable to the ordinary shareholders of the parent	0.1187	0.1375

Statement of comprehensive income for the years ended 31 December 2016 and 2015

(amounts in euro)	2016	2015
Net profit	**12,354,912**	**16,299,202**
Other comprehensive income after taxes never recycled to profit or loss	-	-
Other comprehensive income after taxes that may be recycled to profit or loss		
- Actuarial profit/loss on TFR	*(13,200)*	*30,991*
Total comprehensive income (loss) after taxes	**12,341,712**	**16,330,193**

Statement of cash flows for the years ended 31 December 2016 and 2015

(amounts in euro)	**2016**	**2015**
CASH FLOWS GENERATED BY OPERATING ACTIVITIES:		
Net profit	**12,354,912**	**16,299,202**
Adjustments to reconcile net profit with the cash generated (used) by operating activities:		
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	4,210,419	4,112,881
Provision/(release): allowance for doubtful accounts	(971,922)	220,016
Provision/(release): inventory allowance	(577,778)	200,000
Provision/(release): risks and charges	(254)	(31,978)
Provision/(release): of employee benefits	30,027	(72,802)
Fair value measurement of financial instruments	1,381	(367,400)
Provision/(release): deferred tax assets/liabilities	685,854	(49,951)
Changes in current assets and liabilities:		
Decrease/(increase): trade receivables	16,738,085	6,618,158
Other current assets	231,852	(51,269)
Inventories	2,950,671	(3,370,882)
Trade payables	3,841,599	(1,309,752)
Other current liabilities	860,927	(200,307)
Tax receivables/payables	(796,353)	267,513
Total adjustments and changes	**27,204,508**	**5,964,227**
Cash flows generated by operating activities	**39,559,420**	**22,263,429**
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Investment in intangible assets	(2,532,262)	(642,618)
Investment in property, plant and equipment	(6,431,979)	(4,215,904)
Other changes in equity investments	(21,550,792)	(21,881,634)
Cash flows absorbed by investing activities	**(30,515,033)**	**(26,740,156)**
CASH FLOWS GENERATED/ABSORBED BY FINANCING ACTIVITIES:		
Payment of dividends	(7,779,679)	(5,256,540)
Net change in long-term loans	(5.000.000)	60,000,000
Net change in short-term loans	5.000.000	(41,450,459)
Net change in other financial liabilities	1,381	(24,947)
Net change in other non-current liabilities	-	622,596
Net change in other non-current assets	1,975,832	25,105
Net change in other financial assets	(301,381)	30,991
Cash flows absorbed by financing activities	**(6,103,847)**	**13,946,747**
Increase in liquid funds	**2,940,540**	**9,470,020**
Liquid funds, start of year	44,221,253	34,751,233
Liquid funds, end of year	**47,161,792**	**44,221,253**

Statement of changes in shareholders' equity during the years ended 31 December 2016 and 2015

(amounts in euro)	Share capital	Legal reserve	Share premium account	Treasury shares	Retained earnings	Net profit for the year	Total shareholders' equity
Balance as at 31/12/2014	**11,600,000**	**2,320,000**	**32,179,122**	**(20,771,291)**	**169,803,539**	**18,987,586**	**214,118,956**
Allocation of results					18,987,586	(18,987,586)	-
Payment of dividends					(5,256,540)		(5,256,540)
Results for the year						16,299,202	16,299,202
Actuarial loss on TFR					30,991		30,991
Balance as at 31/12/2015	**11,600,000**	**2,320,000**	**32,179,122**	**(20,771,291)**	**183,565,576**	**16,299,202**	**225,192,609**
Allocation of results					16,299,202	(16,299,202)	-
Payment of dividends					(7,779,679)		(7,779,679)
Results for the year						12,354,912	12,354,912
Actuarial loss on TFR					(13,200)		(13,200)
Balance as at 31/12/2016	**11,600,000**	**2,320,000**	**32,179,122**	**(20,771,291)**	**192,071,899**	**12,354,912**	**229,754,643**

Explanatory notes to the financial statements as at 31 December 2016

Company information

Nice S.p.A. is an Italian limited liability company established and located in Oderzo (province of Treviso) – Via Pezza Alta 13, Z.I. Rustignè. Nice S.p.A. is the operating holding company of a group of entities (Nice Group), which is primarily active in the design, production and marketing of automation systems for gates, doors for garages, rolling shutters, awnings, and access and security systems.

The parent company of Nice is Nice Group S.p.A. with registered offices in Oderzo (province of Treviso) – Via Pezza Alta 13, Z.I. Rustignè. The publication of the financial statements of Nice S.p.A. for the year ended 31 December 2016 was approved by the Board of Directors on 14 March 2017.

Form and content of the financial statements

The financial statements as at 31 December 2016 were prepared in compliance with the International Financial Reporting Standards (IFRS) endorsed by the European Union and in force on the reporting date.
The financial statements are prepared under the historical cost convention, except that derivative financial instruments are measured at *fair value*, and on a going concern basis. The carrying amount of assets and liabilities covered by fair value hedges, which otherwise would have been recorded at cost, is adjusted to take account of the changes in fair value attributable to the risks hedged.
The currency unit used is the Euro and, unless otherwise indicated, all amounts are rounded to thousands of Euro.

Changes in accounting policies

The accounting policies adopted are the same as those used as at 31 December 2015, except for adoption of the following new or revised IFRSs and IFRICs, which were applied for the first time by the Company as from 1 January 2016.

New accounting standards, amendments and interpretations applicable to accounting periods commencing on or after 1 January 2016

Application of the new and amended accounting standards indicated below did not have a significant impact on the financial statements of the Company.

IFRS 11 Joint Arrangements – Accounting for acquisitions of interests in joint operations
On 6 May 2014, the IASB issued an amendment to IFRS 11 - Joint Arrangements - Accounting for acquisitions of interests in joint operations, regarding the accounting for such acquisitions when the joint operation constitutes a business, as defined in IFRS 3. In these cases, the amendments require application of the principles specified in IFRS 3 for recognising the effects of a business combination.

Annual Improvements to IFRSs - 2010–2012 Cycle.
On 12 December 2013, the IASB issued "Annual Improvements to IFRSs: 2010-2012 Cycle", which incorporates the amendments to certain standards as part of the annual improvement process. The amendments adopted impact: (i) IFRS 2, clarifying the definition of ''vesting condition'' and introducing the definitions of conditions of service and results; (ii) IFRS 3, clarifying that obligations that correspond to contingent considerations, other than those covered by the definition

of equity instrument, are measured at fair value at each reporting date, with changes recognised in profit or loss; (iii) IFRS 8, requiring information to be disclosed regarding the judgements made by management in the aggregation of operating segments that describes how the segments have been aggregated and the economic indicators that have been evaluated in order to determine that the aggregated segments have similar economic characteristics; (iv) IFRS 13, amending the Basis for Conclusions of that standard to clarify that the issue of IFRS 13, and the consequent amendments to IAS 39 and IFRS 9, do not change the ability to record current trade receivables and payables without recognising the discounting effect, if that effect is not material; (v) IAS 16 and IAS 38, clarifying the procedures for determining the gross carrying amount of assets when a revaluation is determined as a result of the revaluation model; and (vi) IAS 24, establishing the disclosures to be provided when a related party provides personnel services in relation to the key managers of the reporting entity.

Annual Improvements to IFRSs: 2012-2014 Cycle

On 25 September 2014, the IASB issued “Annual Improvements to IFRSs: 2012-2014 Cycle”. Among others, the most important topics addressed in these amendments are: the introduction, in IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, of specific guidelines in case an entity reclassifies an asset from held-for-sale to held-for-distribution (or vice-versa), or when the requirements for the classification of an asset as held-for-distribution are no longer met and the introduction, provided for by IFRS 7 - Financial Instruments: Disclosure and IAS 19 – Employee Benefits, of additional guidelines to clarify whether a servicing contract constitutes continuing involvement in a transferred asset for the purposes of the disclosure required in relation to the transferred assets. The amendments also modify IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 34 - Interim Financial Reporting, which clarify the meaning of the phrase “elsewhere in the interim financial report”.

IAS 27 Equity method in separate financial statements

On 12 August 2014, the IASB issued an amendment to IAS 27 - Equity method in separate financial statements. The amendments clarify that entities can apply the equity method, described in IAS 28 Investments in associates and joint ventures, to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

IAS 16 Property, plant and equipment and IAS 41 Agriculture – “Bearer Plants”

These amendments, issued on 30 June 2014, provide that bearer plants, i.e. fruit trees that will generate annual crops (for example, grape vines, hazelnut trees) must be accounted for in accordance with IAS 16 (rather than IAS 41).

IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – “Clarification of acceptable methods of depreciation and amortisation”

According to these standards, issued on 12 May 2014, revenue-based depreciation and/or amortisation methods are not considered appropriate, since revenue generated by an activity that includes the use of a depreciated asset generally reflects factors other than the consumption of that asset’s expected economic benefits, which is - instead - a requirement for depreciation/amortisation.

IFRS 14 – Regulatory Deferral Accounts

This standard, issued on 30 January 2014, allows first-time adopters of the IFRS, and only those, to continue recognising amounts related to Rate Regulated Activities under the accounting standards previously adopted. The European Commission has decided not to endorse this interim standard, but rather to wait for the final standard.
Since the Company/Group is not a first-time adopter, this standard is not applicable.

IAS 1 - Presentation of Financial Statements

The International Accounting Standards Board (IASB) has published the "Disclosure Initiative" (Amendments to IAS 1). The amendments aim to make disclosures more effective and encourage companies to apply professional judgement in determining what information to disclose in their financial statements in accordance with IAS 1.

IAS 19 - Defined Benefit Plans: Employee Contributions

The amendment reduces current service costs for the period by the contributions paid by employees or by third parties that are not related to the number of years of service, instead of allocating these contributions over the period during which the services are rendered.

IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify the scope of application of the exception to consolidation allowed for investment entities.

Accounting standards, amendments and interpretations not yet applicable and/or not adopted early by the Company

IFRS 9 – Financial Instruments

The final version of this standard, issued on 24 July 2014, brings together the three phases (classification and measurement, impairment and hedge accounting) of the IASB's project to replace IAS 39—Financial instruments: recognition and measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. The new standard reduces to three the number of categories of financial asset envisaged by IAS 39 and requires that all financial assets be: (i) classified on the basis of the model that the entity has adopted in order to manage its financial activities and of the cash flows from financing activities; (ii) initially measured at fair value plus any transaction costs, in the case of financial assets not measured at fair value through profit or loss; and (iii) subsequently measured at their value or at amortised cost. IFRS 9 also provides that embedded derivatives which fall within the scope of IFRS 9 must no longer be separated from the primary contract which contains them, and states that the entity may decide to recognise directly in the statement of comprehensive income any changes in the fair value of equity investments that fall within the scope of the IFRS. The new impairment model introduced by IFRS 9 no requires a trigger event to have occurred before impairment losses are recognised and, on the contrary, requires the entity to recognise expected impairment losses at all times and to update the amount of expected impairment losses at each reporting date, in order to reflect the changes in the credit risk of the financial instrument. IFRS 9 contains a three-stage approach to account for impairment losses. How an entity measures impairment losses depends on the specific stage in which the financial assets are found. IFRS 9 aligns more closely the accounting for hedging instruments with risk management activities undertaken by entities in order to reduce and/or eliminate their exposures to financial and non-financial risks. The new model adopted by IFRS 9 enables an entity to use information produced internally as a basis for hedge accounting. IFRS 9 will take effect from 1 January 2018.

IFRS 15 – Revenue from Contracts with Customers

On 28 May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which is intended to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard specifies how and when an IFRS reporter will recognise revenue, as well as requiring the provision of more informative disclosures to the users of financial statements. The standard requires a single principle, based on five-step model, to be applied to all contracts with customers. In particular, the proposed model for revenue recognition will be structured as follows:

a) Identification of the contract with the customer;
b) Identification of the individual performance obligations in the contract;
c) Determination of the transaction price;
d) Allocation of the transaction price to the individual performance obligations;
e) Recognition of revenue consistent with satisfaction of the individual performance obligations.

The satisfaction of the performance obligations and, therefore, the concurrent recognition of the related revenue, takes place when control over the asset/service is transferred. Verification of the transfer of the risks and benefits of owning the asset to be sold, currently required by IAS 18, is no longer relevant for the purposes of revenue recognition. The standard take effect from 1 January 2018, with earlier adoption allowed.

The Company is analysing the above standards and assessing whether their adoption will have a significant impact on the financial statements.

Accounting standards, amendments and interpretations not yet endorsed by the European Union

IFRS 14 – Regulatory Deferral Accounts

This standard, issued on 30 January 2014, allows first-time adopters of the IFRS, and only those, to continue recognising amounts related to Rate Regulated Activities under the accounting standards previously adopted. Since the Company/Group is not a first-time adopter, this standard is not applicable.

IFRS 16 – Leases

On 13 January 2016, the IASB issued IFRS 16 – Leases which is intended to replace IAS 17 – Leases, as well as IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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

The standard establishes a single lessee accounting model that requires the recognition of the leased asset, including those held under operating leases, as an asset in the statement of financial position together with the matching financial liability. It also establishes that contracts for low-value assets, and leases with a duration of 12 months or less, need not be recognised as leases. By contrast, the standard does not include any significant changes for lessors.

The standard is effective from 1 January 2019, with early adoption allowed solely for early adopters of IFRS 15 - Revenue from Contracts with Customers.

IAS 12 – Recognition of Deferred Tax Assets on Unrealised Losses

The amendments provide clarification about the recognition of deferred tax assets on debt instruments measured at fair value. The new rules apply from 1 January 2017.

IAS 7 – Disclosure initiative

The amendments relate to the disclosures that entities must provide to enable investors to evaluate changes in the liabilities deriving from financing activities. The new rules apply from 1 January 2017.

Amendments to IFRS 2 - Classification and measurement of share-based payment transactions

This document, issued on 20 June 2016, contains amendments to IFRS 2. The amendments provide clarification about how to account for the effects of vesting conditions in the presence of cash-settled share-based payments, how to classify share-based payments with net settlement characteristics and how to account for amendments to the terms and conditions of a share-based payment that change its classification from cash settled to equity settled. The amendments take effect from 1 January 2018, with earlier adoption allowed.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

This document, issued on 12 September 2016, primarily relates to entities whose business predominantly comprises insurance activities. The purpose of the amendments is to clarify the concerns deriving from application of the new IFRS 9 to financial assets.

Annual Improvements to IFRSs: 2014-2016 Cycle

On 8 December 2016, the IASB issued “Annual Improvements to IFRSs: 2014-2016 Cycle”, which incorporates the amendments to certain standards as part of the annual improvement process. The principal amendments relate to: (i) IFRS 1, envisaging the elimination of certain short-term exemptions included in paras. E3-E7 of Appendix E to IFRS 1; (ii) IAS 28, whereby the option for a venture capital organisation (or other similar entity) to measure investments in associates and joint ventures at fair value through profit or loss is applied to each investment at the time of initial recognition; (iii) IFRS 12, specifying that the disclosures required by the standard apply to all equity interests that are classified as held for sale, as held for distribution to owners or as discontinued operating activities.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The purpose of this interpretation, issued on 8 December 2016, is to provide guidelines for foreign currency transactions in which non-monetary advances are recognised in the financial statements prior to recognition of the related asset, cost or revenue. This document clarifies how an entity shall determine the transaction date and, therefore, the spot exchange rate to be used in relation to foreign currency transactions that involve advance payments or collections. IFRIC 22 is applicable from 1 January 2018, with earlier adoption allowed.

Amendments to IAS 40 - Transfers of Investment Property

These amendments, issued on 8 December 2016, provide clarification about transfers of property to or from the category of investment property. In particular, an entity must only reclassify a property to or from the investment property category if there is evidence of a change of use of that property. The change must be attributable to a specific event that has occurred and, therefore, must not merely reflect a change in intentions by the management of the entity. The amendments take effect from 1 January 2018, with earlier adoption allowed.

Amendments to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

This document was issued on 11 September 2014 in order to resolve the existing conflict between IAS 28 and IFRS 10. With regard to the sale/contribution of assets or a subsidiary to a joint venture or an associate, the amendments specify that measurement of the profit or loss to be recognised in the financial statements of the seller/contributor depends on whether or not the assets or the subsidiary sold/contributed represent a business, as defined by IFRS 3. If the assets or subsidiary sold/contributed represent a business, the entity must recognise the profit or loss on the entire interest previously held; otherwise, the profit or loss on the interest still held by the entity must be eliminated. At present, the IASB ha suspended application of this amendment.

Significant accounting estimates

The preparation of the financial statements requires directors to make discretionary assessments, estimates and assumptions that influence the amounts reported for revenue, costs, assets and liabilities and contingent liabilities at the reporting date. However, the uncertain nature of these hypotheses and estimates might result in significant adjustments to the reported carrying amounts of assets and liabilities during the coming financial year.

Estimates are used to calculate:

Impairment of intangible assets with an indefinite useful life

The Company checks all intangible assets with an indefinite useful life on each reporting date, to see if there is any evidence of impairment.

More specifically, goodwill are checked for possible impairment at least annually, as well as during the year if any such evidence exist. These checks require estimation of the value in use of the cash generating unit to which the cost of the investment and the related goodwill are attributed. In turn, value in use is estimated with reference to the forecast cash flows of the CGU, as discounted to present value using a suitable discount rate. The carrying amount of goodwill is Euro 3,460 thousand as at 31 December 2016 (2015: Euro 3,460 thousand). Further details are provided in note 1. Intangible Assets.

Deferred tax assets

Deferred tax assets are recognised in relation to all temporary differences and all tax losses carried forward, to the extent that future taxable income is likely to be sufficient to absorb the reversal of these temporary differences and use the tax losses concerned. The directors are required to exercise considerable discretion when determining the amount of the deferred tax assets that can be recognised. They have to estimate the probable timing of reversal and the amount of future taxable income, as well as devise a tax planning strategy.

Other estimated items

Estimates are also used to determine the allowances for doubtful accounts and inventory obsolescence, as well as the provisions for depreciation and amortisation, employee benefits and risks and charges.

Summary of principal accounting policies

The accounting policies and measurement criteria adopted for preparing the financial statements as at 31 December 2016 are described below.

Intangible assets

Any intangible assets purchased separately are initially capitalised at cost. After initial recognition, intangible assets are stated at cost, net of accumulated amortisation and any accumulated impairment. Except for development costs, intangible assets generated internally are not capitalised and are expensed in the year incurred.
The useful life of intangible assets may be finite or indefinite.
Intangible assets with a finite life are amortised over their useful life and tested for impairment whenever there is evidence of a loss of value. The period and method of amortisation applied are reviewed at the end of each financial

year, or more frequently if necessary. Any changes in expected useful life or in the way that the future economic benefits deriving from the intangible asset are obtained by the Company are recognised by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimate. The amortisation of intangible assets with a finite life is charged to the appropriate cost category of the income statement, with reference to their function.
Intangible assets with an indefinite useful life are subject to an annual impairment test at an individual level or at cash generating unit level. These assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to verify if the conditions for this classification still apply.
Profits or losses deriving from the sale of an intangible asset, calculated as the difference between net disposal proceeds and carrying amount, are recognised in the income statement at the time of sale.

Goodwill

Goodwill is tested for recoverability annually, or more frequently if events or changes in circumstances occur that may lead to impairment.

For this purpose, the goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Company's cash generating units (or groups of units) that are expected to benefit from the synergies released by the acquisition, regardless of the allocation of other assets or liabilities to those CGUs (or groups of CGUs). Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the company at which goodwill is monitored for internal management purposes, and is no broader than the business segments identified for the purpose of presenting the Group's segment information, determined pursuant to IFRS 8 Operating Segments.

Impairment, if any, is determined with reference to the recoverable amount of the cash generating unit (or group of units) to which the goodwill is allocated. When the recoverable amount of the cash generating unit (or group of units) is lower than its carrying amount, impairment is recognised. Should assets be removed from a cash generating unit (or group of units) to which goodwill was allocated, the goodwill associated with them is determined in order to calculate the capital gain (loss), if any, deriving from the transaction. In such cases, the goodwill sold is determined by reference to the value of the transferred assets and the value of the assets retained by the CGU concerned.

Trademarks

Trademarks with a definite useful life are amortised over a period of 10 years and tested for impairment whenever there is evidence of a possible loss of value. Their useful life is reviewed annually.
The carrying amount of trademarks relates to the price paid in 2005 by Mhouse to purchase the Mhouse logo in the USA.

Software

The carrying amount of software relates to the cost of user licences. This intangible asset with a definite useful life is amortised over a period of 3 - 5 years.

Research and development costs

Research costs are charged to the income statement as incurred. Development costs incurred in relation to a specific project are only capitalised when the Company can demonstrate the technical feasibility of completing the intangible asset and making it available for use or sale, the intention to complete that asset for use or sale, the ways in which it

would generate future economic benefits, the availability of technical, financial or other resources to complete development and its ability to measure reliably the costs attributable to the asset during its development.
The asset is tested for impairment each year during the development period, in order to identify any loss of value. After initial recognition, development costs are measured at cost net of any accumulated amortisation or impairment. Amortisation starts once development has been completed and the asset is available for use. Development costs are amortised over the period in which the related project is expected to generate revenue for the Company, but in any case not over more than 5 years. During the period in which the asset is not yet in use, it is tested for impairment every year to identify any loss of value.

Customer relations

The amount recorded reflects the cost of customer relations purchased from previous distributors. Based on analyses of customer loyalty, these relations are deemed to have a useful life of 10 years. The continuity of business relations with these customers is checked systematically, in order to determine the accuracy of the above estimated useful life.

Property, plant and equipment

Property, plant and equipment are initially recognised at their historical cost, including the directly-related charges necessary to put the asset into operation for the use for which it was purchased.
Maintenance and repair expenses that do not add value to or extend the residual lives of assets are expensed as incurred; otherwise, they are capitalised.
Property, plant and equipment are stated net of the related accumulated depreciation and impairment, if any, determined in the manner described below. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. This period is reviewed annually and any changes are made on a prospective basis.

The main economic-technical depreciation rates used are as follows:

Category	Depreciation rates
Buildings	3%
General and specific plant	10%-15.5%
Equipment (moulds)	10%-12.5%
Sundry and small tools	20%-25%
Office machines and furniture	12%-20%
Electronic office machines	20%-25%
Motor vehicles – Trucks	20%-25%
Leasehold improvements	Over the life of the lease

The carrying amount of property, plant and equipment is tested for impairment, if events or changes in circumstances indicate that their carrying amounts might not be recoverable. If there is evidence of this and the carrying amounts exceed expected realisable value, the assets are written down to reflect their realisable value. The realisable value of property, plant and equipment is its net sale price or value in use, whichever is higher.

In defining value in use, the forecast cash flows are discounted to present value using a discount rate that reflects the current market estimate for the time cost of money and the specific risks associated with the asset. The realisable value of assets that do not generate independent cash flows is determined in relation to the cash generating unit to which they belong. Impairment is classified in the income statement together with the depreciation charge and any write-downs recorded. This impairment is written back if the reasons for its recognition cease to apply.

When an asset is sold or no future economic benefits are expected from its use, it is derecognised and any loss or profit (calculated as the difference between sale value and carrying amount) is recorded in the income statement for the year of derecognition.

Impairment of non-financial assets

On each reporting date, the Company assesses whether there is evidence that an asset may be impaired. In this case, or if annual impairment testing is required, the Company estimates the amount. Recoverable amount is the fair value of the asset or the cash generating unit, net of selling costs, or its value in use if greater. Recoverable amount is determined for each individual asset, except when the asset generates cash flows that are not fully independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable amount, the asset is considered impaired and is consequently written down to its recoverable amount. In measuring value in use, the Company discounts the forecast cash flows to their present value, using a pre-tax discount rate that reflects the market assessment of the current value of money and the specific risks associated with the asset. An appropriate model is used to measure fair value net of selling costs. These calculations are carried out using appropriate valuation multipliers and other available fair value indicators.

The impairment of continuing operations is charged to the appropriate cost categories of the income statement, consistent with the function of the impaired assets.

For assets other than goodwill, the Company also assesses on each reporting date if the reasons for any previously-recognised impairment have ceased to apply, in whole or in part, and estimates the recoverable amount should this be the case. The value of a previously impaired asset is only reinstated if the estimates used to determine its recoverable amount change after recognition of the last impairment. The recovery in value cannot exceed the carrying amount that would have been determined, net of amortisation/depreciation, had no impairment been recognised in prior years. Such recovery is recognised in the income statement unless the asset is recorded at a revalued amount, in which case the recovery is treated as a revaluation increase.

Goodwill is tested for loss of value annually, or more frequently if events or changes in circumstances indicate that its carrying amount may be subject to impairment.

Impairment of goodwill is determined by assessing the recoverable amount of the cash generating unit (or group of cash generating units) to which the goodwill has been allocated. Should the recoverable amount of the cash generating unit (or group of cash generating units) to which the goodwill has been allocated be less than its carrying amount, impairment is recognised. Impairment related to goodwill cannot be reinstated in future years. The Company tests goodwill for impairment annually, when preparing the financial statements.

Investments in subsidiaries

Investments in subsidiaries are recorded at purchase or subscription cost, including any price adjustments and put/call options on the related non-controlling interests. This amount is stated net of any capital redemptions and impairment losses, determined in the manner described in relation to property, plant and equipment, and redetermined subsequent to the exercise of put/call options. The original amounts are reinstated in subsequent years if the reasons for any impairment losses cease to apply. These adjustments are recorded in the income statement.

Financial assets

IAS 39 envisages the following types of financial instrument: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Initially, all financial assets are recorded at fair value. This is uplifted by any related charges, except in the case of assets stated at fair value through profit or loss. The Company determines the classification of its financial assets after initial recognition and, where appropriate and allowed, reviews this classification on each reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. After initial recognition, these assets are measured at amortised cost using the effective discount rate method and stated net of any provision for impairment.
Amortised cost is calculated considering each discount or purchase premium and includes commissions that are an integral part of the effective interest rate and transaction costs. Profits and losses are recognised in the income statement when the loans and receivables are derecognised or in case of impairment, as well as by means of the amortisation process.

As at 31 December 2016, the Company does not hold any financial assets that could be classified as “Held-to-maturity investments” or “Available-for-sale financial assets”.

Impairment of financial assets

On each reporting date, the Company assesses whether a financial asset or group of financial assets has been impaired.

Assets measured at amortised cost

If there is objective evidence that a loan or receivable recorded at amortised cost has been impaired, the loss is calculated as the difference between the carrying amount of the asset and the present value of the forecast cash flows (excluding collection losses not yet incurred), discounted using the original effective interest rate of the financial asset (that calculated on the date of initial recognition). The carrying amount of the asset is reduced by a provision and the loss is recognised in the income statement.
If the amount of the impairment decreases in a subsequent period, and this reduction can be objectively traced to an event that took place after recognition of the impairment, the previously reduced amount can be reinstated. Any subsequent write-backs are recorded in the income statement, to the extent that the carrying amount of the asset does not exceed its amortised cost at the date of reinstatement.
With reference to trade receivables, a provision for impairment is made when there is objective evidence (such as the probable insolvency or significant financial difficulties of the debtor) that the Company will be unable to recover all the amounts due under the original invoice terms. The carrying amount of the receivable is reduced by a specific provision. Receivables subject to impairment are written off when it is confirmed that they cannot be recovered.

Inventories

Inventories are recorded at purchase and/or production cost, determined using the weighted average cost method, or their estimated net realisable or replacement value if lower. Net realisable value is determined with reference to the estimated selling price under normal market conditions, net of direct selling costs.
Obsolete and/or slow-moving inventories are written down with reference to their future possibility of use or realisation. Write-downs are reversed in subsequent years if the reasons for them cease to apply.

Treasury shares

Treasury shares are deducted from shareholders' equity on the basis of their purchase cost. No profit or loss is recognised in the income statement on the purchase, sale or cancellation of treasury shares. All differences between carrying amount and consideration are recognised among the other equity reserves.

Liquid funds

Liquid funds and short-term deposits comprise cash on hand and demand and short-term deposits with an original duration of three months or less. This definition also applies to the liquid funds reported in the statement of cash flows.

Financial liabilities

Trade payables

Trade payables arranged on normal commercial terms are not discounted to present value and are recorded at cost (identified by their nominal value), which represents their fair value at the reporting date.

Loans

Loans are initially recognised at the fair value of the amount received, net of the related loan acquisition costs. After initial recognition, loans are measured at amortised cost using the effective interest rate method. Profits and losses are recognised in the income statement when the liability is settled, as well as by means of the amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held for trading financial liabilities and financial liabilities designated at fair value through profit or loss upon initial recognition.

Held for trading financial liabilities comprise all those acquired for resale in the short term. This category includes those derivative financial instruments arranged by the Company that are not designated as hedging instruments in accordance with IAS 39. Separated embedded derivatives are classified as financial instruments held for trading unless they have been designated as effective hedging instruments.

Financial guarantees given

The financial guarantees given by the Company comprise those contracts that require a payment to be made to reimburse the holder for the loss incurred should the specified debtor fail to make the specified payment on the due date, in accordance with the contractual clauses applicable to the debt instrument. Financial guarantees given are reported at their nominal value among the commitments and contingencies.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive the cash flows from the asset ceases;
- the Company retains the right to receive cash flows from the asset, but has accepted a contractual obligation to pay them in full and without delay to a third party;
- the Company has assigned the right to receive cash flows from the asset and (a) has assigned substantially all the risks and rewards of ownership of the financial asset or (b) has neither retained nor assigned substantially all of the risks and rewards of the asset, but has assigned its control over the asset.

If the Company has assigned the right to receive cash flows from an asset and has neither retained nor assigned substantially all of the risks and rewards or has not lost control over the asset, the Company continues to recognise the asset to the extent to which it has a residual involvement in the asset. This residual involvement, consisting of a guarantee given on the assigned asset, is measured at the initial carrying amount of the asset or, if lower, at the maximum amount that the Company could be required to pay.

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or fulfilled.

Employee benefits

The employee benefits paid on or after termination of the employment relationship via defined benefit plans (employee severance indemnities accrued as at 31 December 2016 or pension plans) and other long-term benefits (leaving indemnities) are recognised when the right to them is earned.

Liabilities relating to defined benefit programmes, net of any assets servicing the plan, are determined using actuarial assumptions and are recognised on an accruals basis to match the employment services required to obtain the benefits concerned.

The liabilities are measured by independent actuaries using the projected unit credit method.

Profit and losses deriving from actuarial valuations are recorded in the statement of comprehensive income. The amount reflects not only the liability accrued at the reporting date, but also future salary increases and the related statistical dynamics.

Benefits guaranteed to employees via defined contribution plans (having regard for recent changes in the Italian law on pension contributions) are recognised on an accruals basis and give rise to recognition of a liability measured at nominal value.

Provisions for risks and charges

The provisions for risks and charges cover known or likely costs and charges whose timing and extent cannot be determined at the reporting date.
Provisions for risks and charges are made when the Company must fulfil a current obligation (legal or implicit) arising from a past event, when an outflow of resources in order to fulfil this obligation is probable and it is possible to make a reliable estimate of its amount. When the Company considers that a provision for risks and charges will be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the indemnity is recognised separately as an asset when, and only when, collection is practically certain.
In this case, any provisions charged to the income statement are reported net of the amount recorded for the indemnity.
Provisions reflect the best estimate of the amount the Company would have to pay to settle the obligation or transfer it to a third party at the reporting date. If the discounting effect is significant, provisions are determined by discounting the forecast cash flows to present value using a pre-tax discount rate that reflects, where appropriate, the specific risks associated with the liabilities. When discounting to present value, the increase in the provision due to the passage of time is recognised as a financial expense.

Leases

The definition of a contractual agreement as a lease transaction (or containing a lease transaction) is based on the substance of the agreement and requires an assessment of whether fulfilment of the agreement depends on the use of one or more specific assets and if the agreement transfers the right to use them. A review is only carried out after the agreement has started if one of the following conditions arises:

(a) there is a change in the contractual conditions, other than a renewal or extension of the agreement;

(b) a renewal option is exercised or an extension is granted, unless the terms of renewal or extension were initially included in the terms of the lease transaction;

(c) there is a change in the condition according to which fulfilment depends on a specific asset; or

(d) there is a substantial change in the asset.

If a review is carried out, recognition of the lease will start or terminate on the date when the circumstances that have caused the review for scenarios a), c) or d) change, or on the date of renewal or extension for scenario b).

Operating lease payments are recognised as costs in the income statement on a straight-line basis over the life of the agreement.

Revenues and income

Revenues are recognised to the extent it is likely that the Company will obtain the related economic benefits and the amount concerned can be determined reliably. Revenues are measured at the fair value of the consideration received, net of discounts, allowances, rebates and sales taxes.
Revenues and costs are recorded on an accruals basis.
Revenues from the sale of products are recognised when ownership passes, which generally occurs when the goods are shipped and entails the transfer of all risks and rewards connected with the products sold.

Interest income is recognised on an accruals basis that takes account of the effective yield on the asset concerned.

Costs and expenses

Costs and expenses are recognised on an accruals basis.

Financial expenses are recognised in the income statement as incurred.

Dividends

Dividend income is recognised when the right of the shareholders to receive payment arises.

Income taxes

Current taxes

Current taxes for the current and previous years reflect the amount that is expected to be recovered or paid to the tax authorities in compliance with the regulations in force.

The tax rates and regulations used to calculate the charge are those issued or substantially issued at 31 December 2016.

Current taxes on items recognised directly in shareholders' equity are also recognised in shareholders' equity and not in the income statement.

Deferred taxes

Deferred taxes are calculated using the liability method on the temporary differences at the reporting date between the tax values for assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recorded on all taxable temporary differences, except when the deferred tax liabilities derive from initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the profit for the year calculated for financial statement purposes nor the profit or loss calculated for tax purposes.

Deferred tax assets are recorded on all deductible temporary differences and tax losses carried forward, to the extent that future taxable income is likely to be sufficient to absorb the deductible temporary differences when they reverse and the tax assets and liabilities carried forward, except when the deferred tax asset associated with the deductible temporary differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the profit for the year calculated for financial statement purposes nor the profit or loss calculated for tax purposes.
The recoverability of deferred tax assets is reviewed on each reporting date and their amount is written down to the extent that it is no longer likely that future taxable income will be sufficient for their recovery in whole or in part. Unrecognised deferred tax assets are reviewed annually at the reporting date and are recognised to the extent that it has become likely that future taxable income will be sufficient for their recovery.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be applied in the years in which the assets are realised or the liabilities are settled, considering the rates currently in force and those already issued, or substantially issued, at the reporting date.
Deferred tax assets and liabilities relating to items recognised directly in shareholders' equity are also recognised directly in shareholders' equity and not in the income statement.
Deferred tax assets and liabilities are offset, if a legal right exists to offset current tax assets against current tax liabilities, and the deferred income taxes relate to the same taxable entity and the same tax authority.

Derivative financial instruments

Derivative financial instruments (where present) are initially recorded at fair value on the date when they are arranged. Subsequently, this fair value is periodically remeasured. They are recognised as assets when their fair value is positive and as liabilities when it is negative. Any profits or losses resulting from changes in their fair value are recognised directly in the income statement for the year.

The fair value of currency forward contracts is determined with reference to the current forward exchange rates for contracts with a similar maturity profile.

Earnings per share

Earnings per share are calculated by dividing the consolidated net profit for the year attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding during the year.
Diluted earnings per share are obtained by adjusting the weighted average number of outstanding shares to take account of the conversion of all potential shares with a dilution effect and any purchases of treasury shares. The Group's net profit is also adjusted to take account of the effects of conversion, net of the related taxes.

Analysis of the principal captions of the statement of financial position as at 31 December 2016

The changes in the statement of financial position are described below. Amounts are stated in thousands of euro.

Non-current assets

1. Intangible assets

The changes in the historical cost and accumulated amortisation of intangible assets during 2016 are shown in the following table:

(thousands of euro)	Goodwill	Software, licences and concessions	Trademarks	Customer relations	Development costs	Other intangible assets	Total
Cost:							
As at 1 January 2015	**3,460**	**4,894**	**5,968**	**785**	**104**	**164**	**15,375**
Increases		412			123	106	641
Reclassifications		215				(215)	-
Disposals							-
As at 31 December 2015	**3,460**	**5,521**	**5,968**	**785**	**227**	**55**	**16,016**
Increases		706			1,711	116	2,533
Reclassifications							-
Disposals							-
As at 31 December 2016	**3,460**	**6,227**	**5,968**	**785**	**1,938**	**171**	**18,549**
Amortisation and impairment:							
As at 1 January 2015	**-**	**(2,969)**	**(5,968)**	**(594)**	**(104)**	**-**	**(9,635)**
Amortisation		(516)		(78)			(594)
Disposals							-
As at 31 December 2015	**-**	**(3,485)**	**(5,968)**	**(672)**	**(104)**	**-**	**(10,229)**
Amortisation		(515)		(78)	(78)		(671)
Disposals							-
As at 31 December 2016	**-**	**(4,000)**	**(5,968)**	**(750)**	**(182)**	**-**	**(10,900)**
Net carrying amount:							
As at 31 December 2016	**3,460**	**2,227**	**-**	**35**	**1,756**	**171**	**7,649**
As at 31 December 2015	**3,460**	**2,036**	**-**	**113**	**123**	**55**	**5,787**

Investments principally related to:

<u>Software, licences and concessions</u>

Software mainly relates to the costs incurred to purchase applications for long-term use in the management of operations and for research activities. Licence costs relate to the purchase of software user licences.

These intangible assets are amortised over their residual useful lives of 3/5 years and 10 years.

Development costs

Development costs capitalized amounting to Euro 1,711 thousand

2. Property, plant and equipment

The changes in the historical cost and accumulated depreciation of property, plant and equipment during 2016 are shown in the following table:

(thousands of euro)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Leasehold improvements	Assets under construction and advances	Total
Cost:							
As at 1 January 2015	-	7,364	20,215	7,059	4,247	3,049	41,934
Increases	-	615	1,270	384	158	1,823	4,250
Disposals			(5)	(86)		(5)	(96)
Reclassifications		164	80	759	3,593	(4,596)	-
As at 31 December 2015	**-**	**8,143**	**21,560**	**8,116**	**7,998**	**271**	**46,088**
Increases		828	1,922	730	678	2,274	6,432
Disposals				(130)			(130)
Reclassifications		184	91	93		(368)	-
As at 31 December 2016	**-**	**9,155**	**23,573**	**8,809**	**8,676**	**2,177**	**52,390**
Depreciation and impairment:							
As at 1 January 2015	**-**	**(5,292)**	**(14,511)**	**(5,909)**	**(2,280)**	**-**	**(27,992)**
Depreciation	-	(701)	(1,389)	(560)	(868)		(3,518)
Disposals			1	61			62
Reclassifications							-
As at 31 December 2015	**-**	**(5,993)**	**(15,899)**	**(6,408)**	**(3,148)**	**-**	**(31,448)**
Depreciation		(655)	(1,404)	(541)	(939)		(3,539)
Disposals				130			130
Reclassifications							-
As at 31 December 2016	**-**	**(6,648)**	**(17,303)**	**(6,819)**	**(4,087)**	**-**	**(34,857)**
Net carrying amount:							
As at 31 December 2016	**-**	**2,507**	**6,270**	**1,990**	**4,589**	**2,177**	**17,533**
As at 31 December 2015	**-**	**2,150**	**5,661**	**1,708**	**4,850**	**271**	**14,640**

Investments principally related to:

Plant and machinery

The item includes shelving and equipment for the regulatory and operational testing of products, as well as investment in production machinery.

Industrial and commercial equipment

This item mainly relates to moulds that are loaned free of charge to sub-suppliers; investment during the year related to equipment relating to new products launched on the market.

Other assets

This item mainly includes furniture and furnishings, IT equipment and electronic laboratory instruments. Investment during 2016 included new IT equipment (computers and printers), as well as electronic equipment for the technical offices.

Leasehold improvements

The increase reflects the capitalisation of additional leasehold improvements.

Assets under construction and advances

This item comprises the advances paid for plant and leasehold improvements.

3. Equity investments

The equity investments held as at 31 December 2016 are analysed below, together with the changes during the year:

	31/12/2016						
(thousands of euro)	Opening balance	Acquisitions	Disposals	Increases	Impairment	Closing balance	% held
Nice France S.a.s.	11,074			2,623		13,697	100.0%
Nice Polska S.p. Z o.o.	1,475					1,475	100.0%
Nice Automatismos Espana S.a.	877					877	60.0%
Nice Belgium S.a.	116					116	99.7%
Nice U.K. LTD	901					901	100.0%
S.C. Nice Romania S.a.	103					103	99.0%
Nice Deutschland G.m.b.H.	17,437			11,200		28,637	100.0%
Nice Group USA Inc.	10,070					10,070	100.0%
Nice Shanghai Automatic Control Ltd	1,800					1,800	100.0%
R.D.P. Shanghai Trading	200					200	100.0%
Nice Australia Home Automation Ltd	3,624					3,624	100.0%
Nice Istanbul Ltd	5,024					5,024	99.0%
AutomatNice Portugal	-					-	100.0%
ET Nice Pty.	16,871			969		17,840	100.0%
Silentron spa	5,639					5,639	100.0%
Nice Home Automation CJSC	7,190					7,190	75.0%
SAAC Srl	2,060			1,577		3,637	100.0%
Fenice Immobiliare S.p.A. (ex FontanaArte S.p.A.)	6,700			738		7,438	100.0%
Peccinin	27,639			2,044		29,683	100.0%
King Gates srl	5,300					5,300	100.0%
Nice Gulf FZE	210			2,400		2,610	100.0%
Total equity investments	**124,310**	**-**	**-**	**21,551**	**-**	**145,861**	

The following changes took place during 2016:

- Nice Deutschland: capital increase of Euro 11,200 thousand on the conversion of a loan in order to purchase from the minorities and increase the capitalisation of Elero GmbH;
- Nice France: capital increase of Euro 2,623 thousand on the conversion of trade receivables;
- ET Nice: capital increase of Euro 969 thousand for cash
- SAAC: capital increase of Euro 1,577 thousand on the conversion of trade receivables and for cash;
- Fenice Immobiliare (Ex FontanaArte): capital increase of Euro 738 thousand on the conversion of a loan in order to cover accumulated losses;
- Peccinin: capital increase of Euro 2,044 thousand in order to fund investment in productive assets;
- Nice Gulf: capital increase of Euro 2,400 thousand on the conversion of loans and trade receivables.

Any differences between the carrying amounts of equity investments and the shareholders' equity of the subsidiaries concerned are justified by the recoverable value of the CGUs to which they belong.

4. Other non-current financial assets

This item mainly includes a loan granted to an important customer of the Group, aimed at further consolidating the already existing industrial partnership.

5. Non-current financial assets - subsidiaries

This item relates to the long-term loans granted to certain subsidiaries and also includes interest earned but not yet collected.

The following table shows the fair value of these loans:

(thousands of euro)	31/12/2016	31/12/2015
Loans to Nice Hansa	2,863	2,818
Loans to Fenice Immobiliare	5,511	20,749
Loans to Elero GmbH	11,977	22,051
Loans to Nice Gulf	-	156
Loans to Nice Home Automation CJSC	3,200	7,571
Loans to Nice Group USA	25,817	-
Loans to Nice Automatismos Espana	2,000	-
Total other non-current assets	**51,368**	**53,345**

The loans to foreign subsidiaries earn interest at floating rates, linked to 3 and 12-month Euribor uplifted by spreads of between 1.85% and 2%, or at a fixed rate of 2.50%.

6. Deferred tax assets

The following table analyses the temporary differences that originated deferred tax assets:

	31/12/2016			31/12/2015		
(thousands of euro)	Amount of temporary differences	Tax effect (% rate)	Tax effect	Amount of temporary differences	Tax effect (% rate)	Tax effect
Trademark amortisation disallowed	144	27.9%	40	200	27.9%	56
Product warranty provision	317	27.9%	88	316	27.9%	88
Inventory allowance	1,874	27.9%	523	2,452	27.9%	684
Allowance for doubtful accounts - taxed	2,359	24.0%	566	3,248	24.0%	780
Provision for returns	150	24.0%	36	150	24.0%	36
Deferred charges	411	27.9%	115	304	27.9%	85
Other deferred tax assets	221	24.0%	54	82	24.0%	21
Total deferred tax assets	**5,476**		**1,422**	**6,752**		**1,750**

The Company has recognised the deferred tax assets deriving from temporary differences between taxable income and the statutory pre-tax results, because it believes that future taxable income will be sufficient to absorb all these temporary differences when they reverse. The deferred tax assets were calculated using the corporate income tax (IRES) rate (24%) and, where applicable, the regional income tax (IRAP) rate (3.9%).

The most significant effects relate to the provisions made that are disallowed for tax purposes.

Current assets

7. Inventories

The following table analyses inventories at the end of the years considered:

(thousands of euro)	31/12/2016	31/12/2015
Base components, ancillary and consumable materials	10,657	12,683
Work in progress and semi-finished products	4,987	5,258
Finished products	8,567	9,221
Inventory allowance	(1,874)	(2,452)
Total inventories	**22,337**	**24,710**

Inventories are stated net of an allowance that is deemed appropriate for the prudent measurement of raw materials, work in progress, semi-finished products and finished products.

8. Trade receivables

The following table analyses trade receivables and the related allowance for doubtful accounts as at 31 December 2016 and 31 December 2015:

(thousands of euro)	**31/12/2016**	**31/12/2015**
Trade receivables - Italy	8,400	9,585
Trade receivables - EU	2,044	2,260
Trade receivables – outside EU	4,519	5,245
Allowance for doubtful accounts - third parties	(2,546)	(2,458)
Total trade receivables - third parties	*12,418*	*14,633*
Due from subsidiaries	25,218	39,829
Allowance for doubtful accounts - subsidiaries	-	(1,060)
Provision for returns	(150)	(150)
Total receivables - subsidiaries	*25,068*	*38,619*
Total trade receivables	**37,486**	**53,252**

The Company is not exposed to significant concentrations of credit risk at the reporting date. Trade receivables do not earn interest and are due within 90-120 days.

The ageing of trade receivables due from third parties as at 31 December 2016 is presented below:

			Past due but not written down		
(thousands of euro)	**Total**	**Not past due**	**0-30 days**	**30-60 days**	**over 60**
Receivables as at 31/12/2016	12,418	11,154	231	197	836
Receivables as at 31/12/2015	14,633	11,379	1,257	289	1,708

Trade receivables amount to Euro 37,486 thousand as at 31 December 2016, net of the allowance for doubtful accounts of Euro 2,546 thousand and the provision for returns of Euro 150 thousand. The changes in the allowance for doubtful accounts are analysed on a comparative basis below:

(thousands of euro)	**31/12/2016**	**31/12/2015**
Allowance, start of period	**3,518**	**3,298**
Provisions	380	900
Utilisations	(1,352)	(680)
Allowance, end of period	**2,546**	**3,518**

The provisions made during the year, Euro 380 thousand, were necessary in order to align receivables with their estimated realisable value, based on an analysis of the individual accounts. The allowance at year end represents a prudent estimate of the current risk.

9. Other current assets

The following table analyses other current assets:

(thousands of euro)	31/12/2016	31/12/2015
Expense advances	4	8
Interest receivable	-	4
Receivables for domestic tax group	861	1.095
Other current assets	273	263
Total other current assets	**1,138**	**1,370**

The expense advances mainly relate to travel advances paid to employees.
Other current assets mainly comprise the advance payment of hardware and software maintenance fees and the amount due from Nice Group S.p.A. as a result of membership of the domestic tax group. See note 32 on taxation for further information.

10. Tax receivables

This item mainly includes VAT recoverable, the tax credit for research and development and the tax credits described further in note 14.

11. Other current financial assets

This item includes a start-up interest-bearing loan granted to Building App.

12. Liquid funds

The following table analyses liquid funds:

(thousands of euro)	31/12/2016	31/12/2015
Bank and post office deposits	47,138	44,214
Cash and equivalents on hand	24	7
Total liquid funds	**47,162**	**44,221**

The bank and post office demand deposits earn interest at floating rates based on the yield of deposits. The fair value of liquid funds corresponds to their carrying amount.

The liquid funds reported in the statement of cash flows correspond to the liquid funds reported in the statement of financial position.

The changes in liquidity during the year are analysed in the statement of cash flows.

13. Shareholders' equity

The following table analyses shareholders' equity:

(thousands of euro)	**31/12/2016**	**31/12/2015**
Share capital	11,600	11,600
Legal reserve	2,320	2,320
Share premium account	32,179	32,179
Treasury shares	(20,771)	(20,771)
Retained earnings	192,072	183,565
Net profit for the year	12,355	16,299
Total shareholders' equity	**229,755**	**225,192**

Share capital is represented by 116,000,000 shares with a par value of Euro 0.1 each, totalling Euro 11,600 thousand.
The legal reserve amounts to Euro 2,320 thousand and is equal to one fifth of the share capital. There were no changes during the year.
In prior years, as part of the buy-back programme authorised at the Shareholders' Meeting, the Company purchased 5,336,000 shares for a total of Euro 20,771 thousand. This amount is recognised as a direct deduction from shareholders' equity.

The number of outstanding shares did not change during the year and totals 110,664,000.
The other retained earnings and reserves comprise undistributed profits.

Pursuant to art. 2427, para. 1, point 7-bis of the Italian Civil Code, the following schedule analyses each item of shareholders' equity as at 31 December 2016, providing a description and indicating possible utilisations and distributability, as well as any utilisations in prior years.

Schedule, art. 2427, point 7-bis

Nature/description	***Amount***	***Possible utilisations***	***Amount available***	***Summary of utilisation in past three years***	
				to cover losses	***for other reasons***
Share capital	11,600,000		-		
Capital reserves:					
Share premium account	11,407,831	A,B,C	11,407,831		
Profit reserves:					
Legal reserve	2,320,000	B	-		
Extraordinary reserve	189,559,422	A,B,C	189,559,422		18,314,892
Unrealised exchange gains	-	A,B	-		
Merger surplus	1,225,459	A,B,C	1,225,459		
Stock option plan reserve	-	A,B,C	-		
IAS adoption reserve	1,275,404	B	--		
Retained earnings	11,614	A,B,C	11,614		
Net profit for the year	12,354,912	A,B,C	12,354,912		
TOTAL	**229,754,642**		**214,559,238**		
Amount not distributable			-		
Residual amount distributable			**214,559,238**		

Key:
A: to increase capital
B: to cover losses
C: for distribution to owners

Non-current liabilities

14. Provisions for risks and charges

The following table analyses the provisions for risks and charges:

(thousands of euro)	**31/12/2016**	**31/12/2015**
Product warranty	317	317
Miscellaneous risks	823	823
Provision for agents' termination indemnity	66	66
Total provisions for risks and charges	**1,206**	**1,206**

<u>Product warranty</u>

The provision for product warranties reflects the estimated costs to be incurred, presumably over the two years following the reporting date, to fulfil the contractual warranty obligations in relation to products that have already been sold at the reporting date.

Miscellaneous risks

Having regard for the opinions of lawyers and tax advisors, Euro 500 thousand has been provided on a prudent basis for miscellaneous risks in relation to the tax inspection that was completed in 2013. Based on the information available at present, this amount corresponds to the likely payment to be made. The Company has appealed to competent jurisdictions and against the notices of assessment received in December 2014, December 2015 and December 2016. The Company believes that there are good grounds that mitigate the risk of loss, despite the compulsory payment of part of the assessed amount.

15. Employee benefits

Employee benefits relate entirely to employee severance indemnities. The changes in this liability during the years ended 31 December 2016 and 31 December 2015 are summarised below:

(thousands of euro)	**31/12/2016**	**31/12/2015**
TFR, start of year pursuant to IAS 19	555	633
Increases	36	-
Utilisation of TFR	(34)	(56)
Interest cost	11	9
Actuarial gains/losses	17	(31)
TFR, end of year pursuant to IAS 19	**585**	**555**
Plan assets	**(82)**	**(82)**
Net TFR, end of year	**503**	**473**

The Company has determined the liability for employee severance indemnities correctly, using actuarial methods. In particular, the liability was measured by an independent actuary using the projected unit credit method.
The endowment policy arranged to guarantee the severance indemnities of employees has been classified as a deduction from the gross liability as it represents an asset servicing the benefit plan. Plan assets are stated at their carrying amount, which approximates their fair value at the reporting date.

The independent actuary used by the Company to determine the liability for employee severance indemnities made the following main assumptions:

- mortality rate: this information was determined by the actuary based on recent life-expectancy studies carried out by ANIA, which resulted in the creation of a new demographic base known as IPS 55. These studies were based on an ISTAT mortality projection for the Italian population covering the period 2001-2051, adopting an age-shifting approach to simplify the handling of tables by generation;

- disability rate: the annual probability of ceasing work due to invalidity was determined with reference to the INPS disclosures in 2000;

- annual probability of ceasing work due to other causes: this was assumed to be 5%, based on the historical trend of this parameter for the Company;

- annual probability of request for TFR advances: this was assumed to be 2%, based on the historical trend of this parameter for the Company;

- annual interest rate: an interest rate of 1.31% was used, based on the average duration of liabilities to employees;

- annual inflation rate: this was estimated to be 1.5% over the time period considered.

16. Long-term loans

This item comprises loans from BNP Paribas amounting to Euro 25.000 thousand and from Unicredit, amounting to Euro 30,000 thousand, that were arranged to meet the strategic needs of the Group. These loans are repayable by 2018.

17. Deferred tax liabilities

Deferred tax liabilities reflect the temporary difference between the tax value and the carrying amount of the goodwill paid for Motus and the adjustment of foreign currency.

Current liabilities

18. Bank overdrafts and loans

This item mainly relates to short-term loans arranged with BNP Paribas and Banca Friuladria.

19. Other financial liabilities

This item mainly comprises the liabilities deriving from the measurement at fair value of derivative financial instruments as at 31 December 2016.

20. Trade payables

The following table analyses trade payables as at 31 December 2016 and 31 December 2015:

(thousands of euro)	31/12/2016	31/12/2015
Trade payables - Italy	30,898	26,931
Trade payables - EU	2,949	3,907
Trade payables - outside EU	2,471	1,638
Total trade payables	**36,318**	**32,476**

Trade payables amount to Euro 36,318 thousand as at 31 December 2016, up by Euro 3,842 thousand since 31 December 2015.

Trade payables do not bear interest and are normally settled within 120 days. The terms and conditions applied by related parties are not different to those applied by third-party suppliers.

The carrying amount of trade payables corresponds to their fair value.

21. Other current liabilities

The following table analyses other current liabilities:

(thousands of euro)	**31/12/2016**	**31/12/2015**
Due to social security and pension institutions	1,056	907
Due to employees	1,816	1,501
Other current liabilities	832	436
Total other current liabilities	**3,704**	**2,844**

Due to social security and pension institutions

The amounts due social security and pension institutions mainly comprise contributions relating to the year that were paid that the start of the following year.

Due to employees

The amounts due to employees relate to current payroll, bonuses earned and holidays not yet taken. These payables do not bear interest are generally paid during the following month, except for the holidays accrued but not taken that are either paid or used during the following year.

Other payables

Other payables mainly relate to the advances received from customers and the directors’ fees not yet paid. These payables do not bear interest and are generally paid during the following month.

Analysis of the principal captions of the income statement for 2016

22. Revenues

The following table analyses revenues by geographical area of destination:

(thousands of euro)	**2016**	**2015**
Italy	28,076	26,377
France	19,593	22,274
Europe 15	18,550	19,154
Rest of Europe	26,563	27,715
Rest of the world	18,511	17,541
Total	**111,293**	**113,061**

23. Base components, ancillary materials and consumables

The following table analyses the use of raw, ancillary and consumable materials:

(thousands of euro)	**2016**	**2015**
Purchases of base components, semi finished products and consumables:	*58,778*	*49,098*
Purchase of base components	57,423	47,693
Other industrial purchases	614	673
Commercial purchases	741	732
Change in inventories of base components	*(2.026)*	*231*
Change inventories of semi-finished and finished products	*(925)*	*3,140*
Use of base components and consumable materials	**55,827**	**52,469**

The use of components, semi-finished products and consumables has increased by 3,358 thousand.

24. Services

The following table analyses the cost of services:

(thousands of euro)	**2016**	**2015**
Direct production services	10,698	10,916
Industrial services	3,747	4,503
Commercial services	7,025	7,662
General services	4,939	4,796
Total cost of services	**26,409**	**27,877**

The cost of services has decreased by Euro 1,469 thousand. This was principally due to the reductions in industrial and commercial services.

Industrial services comprise outsourced planning and design services, certifications and trademark and patent expenses.

Commercial costs mainly relate to the transportation of sales, commissions, travel, board and lodging and other commercial costs, as well as marketing and advertising costs. General services include the fees of directors and statutory auditors, legal, tax, notarial and financial consulting, other general and administrative costs.

25. Leases and rentals

The following table analyses the cost of leases and rentals:

(thousands of euro)	**2016**	**2015**
Rental expense	2,831	2,788
Hire fees	652	718
Total leases and rentals	**3,483**	**3,506**

The cost of leases and rentals is in line with the prior year. Rental expense mainly relates to the rental of the headquarters of Nice S.p.A. from Nice Immobiliare S.r.l., a related party. The rentals paid to Nice Immobiliare were determined with reference to an appraisal provided by an independent expert.
Hire fees relate to the rental of motor vehicles.

26. Payroll costs

The following table analyses payroll costs:

(thousands of euro)	**2016**	**2015**
Wages and salaries	8,701	10,238
Social security contributions	2,940	2,843
Severance indemnities	662	648
Other costs	25	77
Total payroll costs	**12,328**	**13,806**

Severance indemnities include the profits deriving from the application of actuarial techniques to determine the liability as at 31 December 2016.

The number of persons employed at the end of each year is analysed in the following table:

Persons (end)	**31/12/2016**	**31/12/2015**
Blue collar	34	34
White collar	206	200
Managers	21	20
Executives	9	8
Total personnel	**270**	**262**

27. Other operating costs

The other operating costs mainly comprise the provision for doubtful accounts of Euro 380 thousand, as well as other costs, such as general expenses, bank commissions, out-of-period expenses and various taxes and duties.

28. Depreciation and amortisation

The following table shows analyses the depreciation and amortisation charges:

(thousands of euro)	**2016**	**2015**
Intangible assets	671	596
Property, plant and equipment	3,539	3,517
Total depreciation and amortisation	**4,210**	**4,113**

The amortisation charged on intangible assets for the year ended 31 December 2016 amounted to Euro 671 thousand. The depreciation charged on property, plant and equipment amounted to Euro 3,539 thousand. This amount mainly consists of the depreciation of moulds, testing machinery, industrial equipment, furniture, furnishings and hardware.

29. Other income

Other income amounted to Euro 4,493 thousand in the year ended 31 December 2016, and mainly relates to the recharge of transport costs, insurance reimbursements, other amounts recharged to customers and out-of-period income.

30. Financial income

The following table analyses financial income:

(thousands of euro)	**2016**	**2015**
Bank interest income	220	254
Exchange gains	2,187	142
Dividends	1,810	7,669
Interest on loans	753	535
Other proceeds income	14	177
Total financial income	**4,984**	**8,777**

Financial income amounted to Euro 4,984 thousand in the year ended 31 December 2016, compared with Euro 8,777 thousand in the prior year. Exchange gains mainly relate to the unrealised profits recognised on the translation, using the exchange rates in force at the reporting date, of assets and liabilities not denominated in Euro.

31. Financial expense

The following table analyses financial expense:

(thousands of euro)	2016	2015
Cash discounts - customers	262	198
Bank interest expense	494	468
Other financial charges	413	454
Exchange losses	895	119
Total financial expense	**2,064**	**1,239**

Financial expense amounted to Euro 2,064 thousand in the year ended 31 December 2016, compared with Euro 1,239 thousand in the prior year, up by Euro 825 thousand.

32. Income taxes

The following table analyses income taxes:

(thousands of euro)	2016	2015
IRES	1,676	3,100
IRAP	504	853
Total current income taxes	**2,180**	**3,953**
Net change in deferred taxation	690	(50)
Flat-rate taxes		
Total income taxes	**2,870**	**3,903**

The following table analyses the incidence of income taxes on pre-tax profit:

(thousands of euro)	2016	2015
Pre-tax profit	15,225	20,203
Income taxes	2,870	3,903
Incidence on pre-tax profit	**18.9%**	**19.3%**

The income tax charge for 2016 was Euro 2,870 thousand, compared with Euro 3,903 thousand in the prior year, with an effective tax rate of 18.9% compared with 19.3% in the prior year.
The reconciliation of the theoretical and effective tax charges is only presented for IRES - whose structure has the typical features of a corporate income tax - and uses the tax rate applicable to the Company. No reconciliation of the theoretical and effective tax charges is presented for IRAP, due to the different basis used to calculate this tax.

The following summary data is provided:

Theoretical tax calculation	**2016**		**2015**	
Pre-tax profit	15,225		20,203	
Rate - 27.5%				
Theoretical taxes	4,187	27.5%	5,556	27.5%
Effective taxes	2,870	18.9%	3,903	19.3%
Difference	*(1,317)*		*(1,653)*	
IRAP	504	3.3%	853	4.2%
Disallowed costs and provisions	961	6.3%	627	3.1%
Deferred taxes	691	4.5%	(50)	-0.2%
Tax recoveries	(429)	-2.8%	-	0.0%
Effect on dividends received	(473)	-3.1%	(2,004)	-9.9%
Utilisation of taxed provisions	(832)	-5.5%	(105)	-0.5%
Deductible IRAP	(88)	-0.6%	(69)	-0.3%
ACE investment incentive	(939)	-6.2%	(735)	-3.6%
Other tax changes	*(712)*	-4.7%	*(170)*	-0.8%
Total differences	*(1,317)*		*(1,653)*	

The effective tax rate of 18.9% is attributable to the following factors:

- The partial non-deductibility (for IRES purposes) of IRAP (current and deferred) increases the tax rate by 3.3%;
- ACE impact reduces the tax rate by -6,2%;
- The effect of the taxation of dividends received reduces the tax rate by -3.1%;

Income taxes were calculated with reference to taxable income and in compliance with current legislation. The Company is a member of the domestic tax group envisaged in arts. 117 et seq. of the TUIR (Consolidated Income Tax Law) - Presidential Decree 917 dated 22 December 1986, with Nice Group S.p.A. as the consolidating company. The relations deriving from membership of this domestic tax group are governed by a specific regulations approved and signed by each member company. Under these regulations, the members determine and then transfer their current taxes to the parent company. In the case of a tax loss, they record a tax credit and an amount receivable from Nice Group S.p.A. while, in the case of taxable income, they record the current taxation and an amount payable to the parent company. Transactions among the parties are governed by a contract that envisages full recognition, at the current IRES rate, for the taxable income and tax losses transferred.

33. Segment information

Para. 4 of IFRS 8 establishes that segment information should only be presented with reference to the consolidated financial statements, if the Company publishes its consolidated and separate financial statements at the same time. Accordingly, that information is not presented in these financial statements.

34. Earnings per share

As required by IAS 33, information is provided on the data used to calculate the basic and diluted earnings per share (EPS). Pursuant to para. 4 of IAS 33, if an entity presents both consolidated and separate financial statements, as in this case, the EPS disclosure must be made solely in relation to the consolidated data.
EPS is calculated by dividing the consolidated net profit for the year attributable to the shareholders of the Company by the weighted average number of shares outstanding during the year.

For the calculation of basic EPS, the numerator is the consolidated net profit for the year less the portion attributable to non-controlling interests. There are no preference dividends, conversions of preference shares or other similar effects requiring adjustments to the results attributable to the holders of ordinary equity instruments.
Diluted EPS is the same as basic EPS, since there are no ordinary shares that could have a diluting effect, or shares or warrants that could have the same effect, and, based on the current plan, there is no likelihood that stock options will vest.

The following table presents the consolidated results and the number of ordinary shares used to calculate basic EPS in accordance with the methodology envisaged by IAS 33.

Earnings per share	**2016**	**2015**
(thousands of euro)		
Average no. of shares	110,664,000	110,664,000
Results attributable to owners of the parent	13,141	15,217
Data per share (Euro)		
Basic, net profit attributable to the ordinary shareholders of the parent	0.11874	0.13751
Diluted, net profit attributable to the ordinary shareholders of the parent	0.11874	0.13751

No transactions involving ordinary shares have occurred between the reporting date and the date of preparing these financial statements.

35. Dividends paid and proposed

The dividends proposed for approval at the Shareholders' Meeting (not recognised as a liability as at 31 December 2016) amount to Euro 0.1 per share (2015: Euro 0.0703). Considering the number of outstanding shares as at 31 December 2016, the total payment would be Euro 11,066 thousand. The coupon would be clipped on 29 May 2017, with payment on 31 May 2017, and the record date would be 30 May 2017.

36. Commitments and contingencies

The Company has entered into several lease contracts for industrial and commercial properties. In particular, these contracts have a duration of six years and may be automatically renewed upon expiry for a further six-year period; they are index-linked to the Istat consumer price index. The lease contracts mainly relate to properties leased from Nice Immobiliare Srl, a related party.

Lease contract commitments are analysed below:

Lease contract commitments	**31/12/2016**	**31/12/2015**
within 1 year	3,227	3,210
between 1 and 5 years	8,411	6,416
beyond 5 years	7,918	1656
Total lease contract commitments	**19,556**	**11,282**

The Company has also issued letters of patronage in favour of subsidiaries, as shown in the following table:

Beneficiary	Currency	Amount (€/000)	Expiry
ET Nice	ZAR	5,000	31/01/2017
Elero GmbH	EUR	12,500	15/06/2026

37. Research and development costs

The innovation and research work carried out during 2016 incurred costs on projects relating to new products or substantial changes to existing products, as well as to new production and organisational processes.
The costs incurred in 2016 amounted to Euro 3,873 thousand, of which Euro 2,820 thousand related to payroll costs capitalized for Euro 1.479 thousand.

38. Related-party disclosures

The parent company of Nice S.p.A. is Nice Group S.p.A. with registered offices in Oderzo (province of Treviso) – Via Pezza Alta 13, Z.I. Rustignè. The Company maintains relations with direct and indirect subsidiaries, with the parent company and with third parties that, directly or indirectly, have interests in common with the majority shareholder. Relations with these parties are founded on the maximum transparency and on market terms and conditions.
Relations with related parties are summarised below:

- Nice Group S.p.A.: property lease and receivables deriving from membership of the domestic tax group;
- Nice Immobiliare S.r.l.: property leases and renovation of a building;
- Companies linked to the non-controlling owners of Nice Home Automation CJSC: trade relations with Nice Home Automation CJSC;
- Fattoria Camporotondo S.agr.s.: supply of wine products. This company is indirectly owned by Lauro Buoro, who is also the Chairman of Nice S.p.A.;
- Fly Nice: consortium established by Nice S.p.A. and other companies owned by Lauro Buoro, which provides air transport services to consortium members. The Fly Nice consortium was put into liquidation on 22 December 2016;
- Modular Professional S.r.l.: supply of production materials and purchase of certain fixed assets. This company is indirectly owned by Lauro Buoro, who is also the Chairman of Nice S.p.A..

Sales and purchases among related parties take place at current market prices. The balances outstanding at the reporting date are unsecured, do not generate interest and are settled in cash. No guarantees have been given or received in relation to amounts duo and from related parties.
Pursuant to Consob resolution 15519 dated 27 July 2006, the economic and financial transactions that took place with related parties and subsidiaries during 2016 are summarised in the following table (amounts in thousands of euro):

Company	Sales revenues	Other revenues	Financial income	Purchases of finished products	Leases and rentals	Services	Capex	Other receivables/payables	Trade receivables	Trade payables
Nice Group S.p.A.		2			136			861	17	
Nice Immobiliare S.r.l.		2			2,539	9	301		4	179
Nice Home Autom. CJSC	278							38		
Fattoria Camporotondo		4		38					5	38
Modular S.r.l.		2							2	
Fly Nice consortium						30				-
Total related parties	**278**	**810**	**-**	**38**	**2,675**	**39**	**301**	**899**	**28**	**217**
Nice France	19,646	1,787		575		1,086			5,041	766
Nice Polska	10,776	6		5		97			42	51
Nice Automatismos Espana	5,128	180		80		30			1,488	
Nice Belgium	2,474	47		11		5			100	2
Nice U.K.	1,848	122		3		15			111	
Nice Romania	1,662	6				1			1,806	
Nice Deutschland	4,506	102		1,097		49			8,519	283
Nice Shanghai Automatic Control	792	3		1,108		7	555		1,415	768
R.D.P. Shanghai Trading	0	-		5,252		1	2		2	779
Nice Usa	2,099	595	311	489		121			778	369
Hy Security		13							13	
Nice Istanbul	3,311	12		17		13			1,422	
Nice Australia	904	19		154					965	154
Nice Portugal	1,222	2		39					673	38
Silentron S.p.A.	204	94		1,097		3			149	353
Nice Home Automation CJSC	4,277	3				5			19	
ET Nice	335	29	44	211					462	212
SAAC Srl	250	18		379		2		(300)	25	183
Fenice immobiliare (ex FontanaArte)	72	2				1				
King Gates S.r.l.	1,165	81		56		25			570	3
Elero GmbH	48	2	396	2,039		23			298	443
Elero Sweden	680	30		7					421	7
Elero India									1	
Nice Gulf	3,304	82		108		14			754	61
Peccinin	153	31				1			100	1
Genno	32	1							16	
Total subsidiaries	**64,888**	**3,267**	**751**	**12,727**	**-**	**1,499**	**557**	**(300)**	**25,190**	**4,473**
Total	**65,166**	**3,277**	**751**	**12,765**	**2,675**	**1,538**	**858**	**599**	**25,218**	**4,690**

The fees earned by the directors and statutory auditors for their work on behalf of Nice S.p.A. and the subsidiaries of Nice S.p.A. are presented below. This complies with art. 78 of the Issuers' Regulation no. 11971/99 as subsequently amended, and with the provisions of Attachment 3 C of that Regulation (amounts in thousands of Euro):

Person	Office	Duration in office	Remuneration as member of corporate body	Remuneration as an employee	Fringe benefits	Total
Lauro Buoro	Chairman	2016-2018	448		11	459
Roberto Griffa	Chief Executive Officer	2016-2018	324		14	338
Denise Cimolai	Director	2016-2018	12	90	3	105
Lorenzo Galberti	Director	2016-2018	186		3	189
Giorgio Zanutto	Director	2016-2018	380	85	4	468
Chiara Mio	Director	2016-2018	28			28
Luciano Iannuzzi (*)	Director	2015	51		2	53
Antonio Bortuzzo	Independent director	2016-2018	22			22
Emanuela Paola Banfi	Independent director	2016-2018	12			12
Gian Paolo Fedrigo (**)	Independent director	2015	4			4
Giuliano Saccardi	Chairman of the Board of Statutory Auditors	2015-2017	26			26
Monica Berna	Serving Auditor	2015-2017	14			14
Enzo Dalla Riva	Serving Auditor	2015-2017	14			14
Total fees			**1,520**	**175**	**36**	**1,732**

(*) Office terminated on 11 March 2016 following resignation

(**) Office terminated on 22 April 2016 on normal expiry of mandate

The amounts shown above include short-term and termination benefits accrued and paid to the directors and statutory auditors of Nice Spa.

39. Policies and objectives for the management of financial risk

The Company has a positive net financial position of Euro 37,188 thousand, mainly generated by operating activities. The Company also holds financial instruments, mainly trade receivables, that derive directly from operations.

Credit risk

Credit risk is the exposure to potential losses arising from the failure to meet commitments of trade and financial counterparties.

The company tends to minimise the risk deriving from customer insolvencies by only dealing with known, reliable and solvent customers. Company policy is to check the credit worthiness of customers that request extended payment terms. In addition, receivables are monitored during the year so that the exposure to losses is not significant. Lastly, in the case of new customers not operating in the European Union, the company usually requests and obtains letters of credit. There is no significant concentration of credit risk within the company.

The maximum credit risk relating to the Group's other financial assets, which include liquid funds, is limited to their carrying amount if the counterparty becomes insolvent.

Liquidity risk

Liquidity risk is related to the possibility of not having the financial resources needed to meet the obligations associated with financial and trade liabilities within the established deadlines.

It is believed that there is essentially no liquidity risk, given the cash flows that the Company has always generated and expects to continue generating.

Exchange-rate risk

The company exports its products throughout the world: foreign sales currently exceed 85% of the total. The special characteristics of the business, the distribution model and the financial structure are factors that expose the company to exchange-rate risk.

The main objective of the Nice company is to limit the currency exposure arising from the export of finished products, primarily via the offset of collection and payment flows (natural hedging) settled in the same currency.

With regard to mismatches, on 12 November 2015 the Board of Directors approved a new Group Policy for the management of exchange-rate risk, aimed at establishing financial management that allows timely monitoring of the Group's currency exposure and safeguards the margins of industrial activities.

Interest-rate risk

Bank loans expose the company to the risk of changes in interest rates, particularly with reference to floating-rate loans. The Group manages this risk by recourse to Interest Rate Swaps (IRS).

40. Capital management

The Company has limited liabilities to financial intermediaries and has a position net financial position that guarantees the payment of an adequate dividend to shareholders and the pursuit of a growth strategy that includes acquisitions.

In order to maintain or adjust the capital structure, the Company can adjust the dividends paid to shareholders, redeem share capital or issue new shares.

No changes were made to the objectives, policies or procedures during the past year.

41. Financial instruments

Fair value

Comparison by class of the carrying amount and fair value of all the financial instruments recognised in the financial statements does not identify any significant differences that should be mentioned, besides those highlighted.

As required by paras. 25 and 27 of IFRS 7, the table below compares by class the carrying amount and fair value of all the financial instruments recognised in the financial statements:

(thousands of euro)	Carrying amount 31/12/2016	Fair value 31/12/2016
Financial assets at fair value through profit or loss	-	-
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	-	-
Financial liabilities at fair value through profit or loss	142	142
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	*142*	*142*
Financial assets measured at amortised cost	139,515	139,515
Loans to subsidiaries	*51,368*	*51,368*
Trade receivables	*37,486*	*37,486*
Other financial assets	*3,500*	*3,500*
Liquid funds	*47,161*	*47,161*
Financial liabilities measured at amortised cost	46,318	46,318
Bank overdrafts and loans	*10,000*	*10,000*
Trade payables	*36,318*	*36,318*
Financial assets at fair value through comprehensive income	-	-

(thousands of euro)	Carrying amount 31/12/2015	Fair value 31/12/2015
Financial assets at fair value through profit or loss	-	-
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	-	-
Financial liabilities at fair value through profit or loss	140	140
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	*140*	*140*
Financial assets measured at amortised cost	154,318	154,318
Loans to subsidiaries	*53,345*	*53,345*
Trade receivables	*53,252*	*53,252*
Other financial assets	*3,500*	*3,500*
Liquid funds	*44,221*	*44,221*
Financial liabilities measured at amortised cost	37,476	37,476
Bank overdrafts and loans	*5,000*	*5,000*
Trade payables	*32,476*	*32,476*
Financial assets at fair value through comprehensive income	-	-

Fair value measurement and hierarchy

Regarding financial instruments recognised in the statement of financial position at *fair value*, IFRS 7 requires these values to be classified in a hierarchy of levels that reflects the significance of the inputs used when measuring fair value. The following levels are identified:

- Level 1 – quoted prices in an active market for the asset or liability being measured;

- Level 2 – inputs other than the quoted prices included within Level 1, that are observable in the market, either directly (prices) or indirectly (derived from prices);
- Level 3 – inputs not based on observable market data.

All assets and liabilities measured at fair value as at 31 December 2016 can be classified in Level 2 of the fair value hierarchy. In addition, during 2016 there were no transfers from Level 1 to Level 2 or Level 3 or vice versa.

With regard to derivative financial instruments, as at 31 December 2016, the Company has only arranged IRS hedging contracts on the interest rate of a bank loan.

These financial statements provide a true and fair view of the financial position and of the results of operations during 2016.

Oderzo, 14 March 2017.

For the Board of Directors

The Chairman

Lauro Buoro

Attachments to the financial statements

Key data from the financial statements as at 31/12/2016 of subsidiaries

Name	Location	Currency	Share capital	Shareholders' equity in Euro	Results for the year in Euro	% held Direct	% held Indirect	% held Total	Carrying amount in Euro
Nice UK LTD	Nottinghamshire, United Kingdom	GBP	765,000	1,713,832	632,590	100.00%		100.00%	901,000
Nice Belgium S.A.	Hervelee, Belgium	EUR	212,000	1,141,642	332,580	99.70%		99.70%	116,000
Nice Polska S.p. Z.o.o.	Pruszkov, Poland	PLN	1,000,000	7,228,570	1,773,041	100.00%		100.00%	1,475,000
Nice Automatismos Espana S.A.	Mostoles, Madrid, Spain	EUR	150,253	1,329,277	246,678	60.00%		60.00%	877,000
Nice France S.a.s.	Aubagne, France	EUR	600,000	792,849	1,498,420	100.00%		100.00%	13,697,162
S.C. Nice Romania S.A.	Bucharest, Romania	RON	383,160	1,029,524	(121,139)	99.00%		99.00%	103,000
Nice Deutschland GmbH	Billerbeck, Germany	EUR	50,000	15,532,545	565,559	100.00%		100.00%	28,637,000
Nice Shanghai Automatic Control Co. LTD	Shanghai, China	EUR	2,300,000	1,954,485	(454,733)	100.00%		100.00%	1,800,000
R.D.P. Shanghai Trading Co. LTD	Shanghai, China	EUR	200,000	1,474,621	476,519	100.00%		100.00%	200,000
Nice Istanbul Makine Ltd	Istanbul, Turkey	TRY	10,560,000	3,338,895	308,797	99.00%		99.00%	5,023,500
Nice Australia Home Automation PTY Ltd	Sidney, Australia	AUD	5,113,814	1,236,852	(311,849)	100.00%		100.00%	3,624,000
AutomatNice Portugal S.A.	Lisbon, Portugal	EUR	50,000	313,070	82,123	100.00%		100.00%	-
Silentron S.p.A.	Turin, Italy	EUR	500,000	2,880,293	379,692	100.00%		100.00%	5,639,000
ET Nice	Johannesburg, South Africa	ZAR	22,000,000	15,333,889	311,681	100.00%		100.00%	17,839,495
Nice Group USA, Inc.	San Antonio - Texas (USA)	USD	1	14,773,252	(815,747)	100.00%		100.00%	10,070,000
Nice Home Automation CJSC	Moscow, Russia	RUB	20,000	205,440	197,725	75.00%		75.00%	7,190,000
SAAC S.r.l.	Treviso, Italy	EUR	25,000	1,423,922	(87,773)	100.00%		100.00%	3,636,464
Fenice Immobiliare S.p.A. (ex FonanaArte S.p.A.)	Oderzo, Italy	EUR	2,670,000	3,174,584	849,633	100.00%		100.00%	7,437,676
Peccinin Portoes Automaticos Industrial Ltda	Limeira, Brazil	BRL	32,095,000	15,525,398	1,256,820	100.00%		100.00%	29,682,406
King Gates S.r.l.	Pordenone, Italy	EUR	100,000	4,962,616	238,758	100.00%		100.00%	5,300,000
Nice Gulf FZE	Dubai, United Arab Emirates	AED	1,008,000	2,037,166	(205,635)	100.00%		100.00%	2,610,000

Information pursuant to art. 149-duodecies of Consob's Issuers' Regulation

The following schedule, prepared pursuant to art. 149-*duodecies* of Consob's Issuers' Regulation, presents the fees earned in 2015 for services provided to the Nice Group by the independent auditors and by entities belonging to the same network.

Type of service	Party providing the service	Recipient		Remuneration (thousands of euro)
Audit work	BDO Italia S.p.A.	Parent Company		53
Audit work	BDO Italia S.p.A.	Subsidiaries		36
Audit work	BDO network	Subsidiaries		128
Other services	BDO network	Subsidiaries	(1)	108
Total fees				**325**

(1) Due Diligence Accounting and Fiscal Services and Agreed audit procedures

Certification of the financial statements pursuant to art. 154 bis of Decree 58/98 (Consolidated Finance Law - TUF)

1. The undersigned Roberto Griffa, in his capacity as Chief Executive Officer, and Denise Cimolai, in her capacity as Financial Reporting Manager of Nice S.p.A., hereby certify, taking into account the requirements of art. 154-bis, paras. 3 and 4, of Decree 58 dated 24 February 1998:

- the adequacy in relation to the characteristics of the business and
- the effective application of the administration and accounting procedures for the preparation of Financial Statements during the period from 01 January 2016 to 31 December 2016.

2. The adequacy and effectiveness of Nice's administrative-accounting internal control system have been analysed and assessed by establishing a uniform administrative-accounting Internal Control System Model common to the entire Group, developed consistently with the most commonly applied international framework, i.e. the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO Report), and also by adopting the international auditing standards and best practices.

3. It is further certified that:

3.1 the financial statements:

a) have been prepared in accordance with the applicable International Accounting Standards endorsed by the European Union in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002, as well as with the enabling measures specified in art. 9 of Decree 38/2005;

b) agree with the underlying accounting records and entries;

c) are appropriate to provide a true and fair view of the economic and financial position of the issuer.

3.2 the report on operations contains a reliable analysis of performance and the results of operations, as well as of the situation of the issuer and of the companies included within the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Oderzo, 14 March 2017

Roberto Griffa	Denise Cimolai
(Chief Executive Officer)	(Financial Reporting Manager)

This is an English translation of the original Italian document

NICE S.P.A.

REGISTERED OFFICE IN ODERZO – VIA PEZZA ALTA 13, Z.I. RUSTIGNÈ

SHARE CAPITAL EURO 11,600,000.00 FULLY PAID

TREVISO COMPANIES REGISTER AND TAX CODE NO. 02717060277

* * * *

REPORT OF THE BOARD OF STATUTORY AUDITORS

TO THE SHAREHOLDERS' MEETING

ON THE SEPARATE FINANCIAL STATEMENTS

Shareholders,

During the year ending at 31 December 2016, we performed the supervisory activity required by the law, in accordance with the standards of conduct for the Board of Statutory Auditors recommended by the Italian Associations of Chartered Certified Accountants, bearing in mind the recommendations provided by Consob with its memorandum no. 1025564/2001.

As regards the ways in which the Board of Statutory Auditors carried out its institutional activity, we declare that we:

- attended the Shareholders' Meetings and all the meetings the Board of Directors held during the year, and obtained regular information from

Directors about the work carried out and about the most important transactions undertaken by the company or its subsidiaries;

- monitored the Group's organisational evolution;
- monitored the functioning of internal audit and administration-accounting systems to assess their appropriateness for operational needs, as well as their reliability in terms of representing operating events. In carrying out this activity, we were supported by the Internal Audit department and by the outcome of systematic audits carried out by the independent auditors, BDO Italia S.p.A., on the regular maintenance of the Company's accounts, which were concluded without any faults being found;
- assessed compliance with legal requirements on the preparation of financial statements, consolidated financial statements and the relevant report on operations by means of direct checks, information acquired by the Financial Reporting Manager, as well as specific information acquired by the independent auditors;
- monitored concrete approaches to implement the corporate governance rules established by current regulations and by the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A.

In addition, in compliance with the above-mentioned Consob recommendations, we provide you with the following information:

1. the most important transactions at an economic, financial and equity level undertaken by the company and its subsidiaries were carried out in compliance with the law and with the Articles of Association. Based on the

information acquired, we have been able to ascertain that they were not manifestly imprudent, hazardous, in conflict of interest or in any case such as to jeopardize the integrity of company assets;

2. We have not found any atypical and/or unusual transactions undertaken during the year with third parties, related parties or intra-group.

   In their report on operations, and above all in the explanatory notes, the Directors indicate and describe the main transactions with third parties, related parties or intra-group, highlighting their characteristics and economic impact. As regards this, we recall the business combination transactions performed by the Group in 2016:

- on 5 July 2016, the Nice Group acquired 100% of Hy-Security Gate Inc., a North American leader in the design and manufacture of gate automation systems for industrial and commercial use to the highest security standards;
- on 14 October 2016, the company unit of subsidiary FontanaArte S.p.A. was transferred through incorporation of a new company and its subsequent transfer to Italian Creation Group SpA;
- capitalisation of Nice Deutschland of Euro 11,200 thousand;
- capitalisation of Nice France of Euro 2,623 thousand;
- capitalisation of ET Nice of Euro 969 thousand;
- capitalisation of SAAC of Euro 1,577 thousand;
- capitalisation of Fenice Immobiliare of Euro 738 thousand;
- capitalisation of Peccinin of Euro 2,044 thousand;
- capitalisation of Nice Gulf of Euro 2,400 thousand.

We have duly acknowledged that the acquisition and transfer correspond with the Company's interest and we have also duly acknowledged the fairness of the prices agreed.

We furthermore ascertained that the ordinary operating procedures applied within the Group ensure that all commercial transactions with related parties are concluded at arm's length and in compliance with the procedure for the performance of such transactions, which was approved by the Company's Board of Directors on 30 November 2010 and updated on 07 June 2013. To this end, these commercial transactions with related parties are described in detail in the Explanatory Notes and in the Report on Operations.

3. We believe that the information on the transactions indicated in point 2 above provided by Directors in their report on operations and in the explanatory notes is appropriate. We also refer here to the description of business combinations.
4. The reports of the independent auditors, BDO Italia S.p.A., issued on 30 March 2017, on the separate and consolidated financial statements of Nice S.p.A. as at 31.12.2016 do not contain any remarks or significant references.
5. No claims pursuant to article 2408 of the Italian Civil Code were submitted during the year.
6. No petitions were submitted to the Board of Statutory Auditors during the year.
7. During 2016, Italian and foreign companies of the BDO Italia S.p.A. network provided services amounting to a total of € 324 thousand to companies

belonging to the Nice S.p.A. Group; in particular, € 217 thousand related to audit activities and € 108 thousand to other services.

8. As far as we know, no further assignments were awarded, either by Nice S.p.A. or by its subsidiaries, to parties linked by continual relations with the firms appointed to audit the accounts.
9. During 2016, the Board of Statutory Auditors expressed an opinion on the proposal to renew the authorisation for the purchase/sale of treasury shares.
10. During 2016, 10 meetings of the Board of Directors and 10 meetings of the Board of Statutory Auditors were held. It is moreover noted that the 'Internal Audit and Risk Management Committee' met 12 times, including in its capacity as the 'Committee for the Performance of Transactions with Related Parties', while the 'Remuneration Committee' met 4 times. At least one member of the Board of Statutory Auditors participated in the meetings of the Board of Directors and of the Committees.
11. We have no particular comments to make concerning compliance with the principles of proper management, which appear to have been constantly observed.
12. During 2016, the Company's organisational structure was further improved so as to manage, direct, coordinate and control development of the various activities carried out by the Group's operating companies, through the systematic direction of decision-making processes.
13. For the 2016-2018 period, the Internal Audit department's functions have been entrusted once again to Vittorio Gennaro, the Chief Executive Officer of the

consulting firm Operari Srl, as for the three-year period 2013-2015. He was appointed by the Board of Directors on 11 March 2016, on proposal of the Director in charge of the internal audit system, after obtaining the favourable opinion of the Internal Audit and Risk Management Committee and after consulting the Board of Statutory Auditors.

This year, the Internal Audit activity continued both through specific inspection activities and the check and assessment of the internal audit system implemented in the Group Companies, with suggestions put forth in order to rectify any deficiencies found and with support provided to the declarations made by the Financial Reporting Manager. The Internal Audit Manager, an office established by the Company in compliance with the provisions of the Corporate Governance Code, provided support to the activities of the Internal Audit and Risk Management Committee.

On 12 November 2015, the Board of Directors approved the review of the Organisational Model pursuant to Italian Law no. 231/2001, prepared with the support of the consultancy firm Operari srl, which now takes into account the new rules on money laundering, environmental and corporate crimes.

In the report on operations, the Directors present a prudent perception of the risks stemming from the markets' macroeconomic trends and the more specific risks relating to the sector in which the Group operates.

Lastly, based on the results of the supervisory activity performed by the Internal Audit department and on the indications emerging in the various meetings with Group representatives, the Board of Statutory Auditors duly acknowledges that the checks performed during the year did not discover any critical aspects in the overall internal audit system of an entity such as to require their mention in this report.

14. In 2016, the Group's Administration Division continued to strengthen the corporate information systems of subsidiaries so as to maintain effective supervision over the management of the entire Group's data and information, the main features of which the Directors described effectively in their report on operations, including information on the internal audit system as this applies to financial information processes, showing its overall appropriateness and consistency with the best practices applied on regulated markets. The IT system allows Group data to be automatically consolidated.
15. The Board monitored the appropriateness of the instructions given by the Company to its subsidiaries pursuant to article 114, paragraph 2 of Italian Legislative Decree no. 58/1998, to ensure they provide the necessary information for compliance with the disclosure requirements pursuant to the law, and no exceptions were found.
16. During the systematic meetings between the Board of Statutory Auditors and the independent auditors, pursuant to article 150, paragraph 3, of Italian Legislative Decree no. 58/1998, no significant aspects to be reported emerged.
17. The Board checked that the Company adopted the new version of the Corporate Governance Code recommended by Borsa Italiana in July 2015, applied its rules and justified divergences, if any, and duly described it in the reports indicated below.

To this end, it is noted that, in the 'Report on Corporate Governance and Ownership Structure' of Nice Spa, the Board of Directors provided information on the Company and the Group in line with the principles set forth in the Corporate Governance Code for listed companies. Similarly, and again in compliance with the Corporate Governance Code, they issued Nice Spa's '2017 Annual Report on Remuneration' pursuant to article 123-ter of Italian Legislative Decree 58/1998 and 84-quater of the Consob Issuers' Regulation no. 11971/1999.

18. In conclusion, we herewith declare to you that our supervisory activity did not reveal omissions, faults or irregularities such as to require reporting to the Supervisory Boards or mention to Shareholders.
19. Lastly, we express our consent, for what falls within our competence, to the approval of the 2016 financial statements as presented by the Board of Directors with the Report on Operations, and to the proposal made by the Board itself to distribute a dividend of Euro 0.1 per share.

Oderzo, 30 March 2017

for THE BOARD OF STATUTORY AUDITORS

The Chairman

Giuliano Saccardi

The report has been translated into english language solely for the convenience of International readers

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This is an English translation of the original Italian document

INDEPENDENT AUDITORS'REPORT IN ACCORDANCE WITH ART. 14 AND 16 OF LEGISLATIVE DECREE N0.39 OF JANUARY 27th,2010

To the shareholders of Nice S.p.A.

Report of the financial statements

We have audited the financial statements of Nice S.p.A., which comprise the statement of financial position as of December 31st 2016, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended and related explanatory notes.

Directors'responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree No. 38/05.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to art. 11 of Legislative Decree No. 39/2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Nice S.p.A. as of December 31st 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree No. 38/05.

Report on compliance with other laws and regulation

Opinion on the consistency of the financial statements with the report on operations and of certain information set out on corporate governance and ownership structure

We have performed the procedures required by auditing standard (SA Italia) N0. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in art. 123-bis, paragraph 4 of Legislative Decree No. 58/98, which are the responsibility of the directors of Nice S.p.A., with the financial statements of Nice S.p.A.. In our opinion, the report on operations and of the information set out in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Nice S.p.A. as of December 31st 2016.

Treviso, March 30th 2017

BDO Italia S.p.A.

Signed by: Stefano Bianchi - Partner

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