



FIERA MILANO



Annual Report

2016

This document contains a faithful translation into English of the original report in Italian *Relazione Finanziaria Annuale 2016*.  
However, for information about Fiera Milano Group reference should be made exclusively to the original report in Italian.  
The Italian version of the *Relazione Finanziaria Annuale 2016* shall prevail upon the English version.



TRALE RICAMBI (EUROPA) S.p.A.

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## Mission

- Fiera Milano offers a means for companies to grow and become more international
- It contributes to economic growth
- It promotes socio-economic improvement in the region in which it is based

to feature among the leading global companies in the exhibition sector

### THE COMPANY'S AIMS ARE

to offer companies a more effective business platform to raise awareness of their existence, instigate fruitful contacts and increase their business opportunities

to facilitate the interaction of different corporate cultures, the exchange of know-how and experience, and to encourage innovation

to be a leader in new growth areas worldwide while promoting Made in Italy exports





## Letter to shareholders

Dear shareholders,

2016 was a year when the Italian exhibition business proved better than expected. However, it must be remembered that our business is affected by the seasonality that is typical of the exhibition sector. 2016 was characterised by the absence of some important proprietary biennial exhibitions and of some multi-annual exhibitions, which meant that the comparative year-on-year figures were lower. This was exacerbated by the fact that 2015 was a particularly favourable year and also benefited from the positive effect of Expo 2015.

In line with the strategy that we announced to the market, we have worked to strengthen the proprietary exhibition portfolio i.e. those exhibitions that are directly organised by Fiera Milano SpA, to expand the portfolio of exhibitions organised by third-parties and to place a greater emphasis on clients. Already in 2017, we shall benefit from a richer programme of events with a total of nine new directly and indirectly organised exhibitions. Despite the highly fragmented domestic exhibitions sector, we have been successful in sealing important collaborations both with industry associations and with other exhibition centres to promote a “sector” approach that can but benefit the companies and economy of our country.

We are particularly happy about the agreement reached last year with Veronafiore that will lead, starting in 2017, to the inclusion within Tuttofood of an area dedicated to wine to be run by Veronafiore and to the strengthening of the fruit and vegetable sector of the same exhibition. It is an important agreement that is unprecedented in Italy: two important exhibition entities uniting to help grow the Italian food & beverage industry.

As part of our business development strategy we laid the foundations for a joint undertaking with Nautica Italiana, the umbrella organisation for the 80 leading Italian nautical brands. The outcome is that, in 2017, we shall organise the new event Versilia Yachting Rendez-vous in Viareggio. This is an international exhibition that displays the most

important nautical sectors in an innovative format and offers a top-quality showcase for the whole sector.

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*We have expanded the exhibition portfolio  
and put the client increasingly  
centre stage*

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As part of our external growth we acquired the trademark Promotion Trade Exhibition, an annual international exhibition of promotional articles, business gifts and technologies for the personalisation of these items. This exhibition, already held in the Fiera Milano exhibition site but previously organised by a third-party, will now be directly organised by Fiera Milano.

Lastly, during 2016, we also reached an agreement with the Associazione Italiana Editori with whom, through the joint venture La Fabbrica del Libro SpA, we are organising the new event Tempo di Libri that will occupy three pavilions of the exhibition site when it is held in April 2017. The exhibition will bring together, editors, authors, librarians, bookshops, students and readers in a major event combining tradition with innovation and reflecting the gift that books have demonstrated they have over the centuries: the ability to remain in tune with the spirit of an era by accompanying its cultural and technological progress.

With reference to the portfolio of exhibitions organised by third-parties, in 2016, new exhibition organisers recognised the international standing of the city of Milan and the organisational ability of Fiera Milano SpA, by choosing our venues for their next exhibitions. The proof of this faith in us is already visible in the list of events in the 2017 calendar. This includes the annual exhibitions Ferroviaria, the International Dog Show, MAM Mostra and Milano Arte e Antiquariato, which unites the worlds of art and design. It also includes TheOneMilano, the new international fair for top quality women's prêt-à-porter and accessories that combines the know-how and experience of MIPAP, the prêt-à-porter exhibition





organised by Fiera Milano SpA, and of MIFUR, the fur and leather exhibition run by the exhibition organiser of the same name.

2017 also includes the biennial exhibition Lamiera, the international trade fair for bending machine tools and for all innovative technologies in this sector.

Significant operating cost reduction targets were met as a result of the restructuring implemented in the previous financial year and due to the lower rent for the fieramilano exhibition site.

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*Five-star hospitality and welcome:  
Fiera Milano becomes increasingly  
buyer-friendly*

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The Group is carrying out a strategic repositioning of its business outside Italy, which is based on a primary focus on product while investments in corporate assets have become of secondary importance. In China the sale of its shareholding in the subsidiary Worldex (that operates in non-strategic countries like Sri Lanka) is part of the Group strategy to concentrate its activities outside Europe in the joint venture with its German partner Deutsche Messe. The growth outlook for the businesses in Brazil and South Africa have been downgraded due to the socio-economic problems in these countries and this resulted in impairment losses to some of the intangible assets.

The attraction of Milan, which is highly appreciated internationally, cannot be separated from that of the exhibition site of Rho-Pero: we have focused increasingly on the quality of service provided to our clients. In 2017 we have tried to improve our reception services and also to make the exhibition site more welcoming. As part of the latter initiative, we have created relaxation areas, smoking areas, a VIP lounge and a more modern reception area for our offices. Our reception of clients starts at the airports where there are fast track ways of negotiating the airports, dedicated information desks that provide information on the transport agreements reached with the railway companies, as well as on hotel accommodation, Transfer & Tour, City Desk and Venue Finder services.

We also paid attention to renewing and increasing the catering both in terms of venue layout and food offered. New and important agreements were signed with sponsors that will generate returns already in 2017.

As is already known, in July 2016, Nolostand SpA, the subsidiary operating in the stand-fitting sector, received a judicial administrative order which was subsequently

extended on 11th October 2016, to the entire stand-fitting business area of the Parent Company Fiera Milano S.p.A., regarding its contractual relations with a supplier.

The Board of Directors of the Company initiated measures, in complete collaboration with the Court-appointed Administrator, to improve significantly the corporate governance of the Company and took numerous other steps to ensure that these measures were implemented properly.

Following the request of the Public Prosecutor made that the administration order be extended to all sectors of the Company, in January 2017 the Board of Directors, having carefully considered only what was in the interest of the Company, decided that the best solution was to resign its responsibilities so that the shareholders could appoint a new Board of Directors.

The Milan Court – Prevention Court Independent Section rejected the request that the administration order be extended to all sectors of the Company and confirmed that the administration and management of the Company remain the domain of the Board of Directors while, at the same time, it extended the powers already given to the Court-appointed Administrator to cover the legality and compliance safeguards of the entire Company.

The Company continues to collaborate fully and assiduously with the Court-appointed Administrator in order that the administration order be removed as early as possible.

Impairment charges were taken for some of the Italian exhibition trademarks and publishing titles and the aforementioned sale of Worldex and the lower results of the Brazilian and South African subsidiaries also led to impairment charges.

However, the improvement in the reference economic environment was confirmed by the exhibitions held in Italy in the first part of the current financial year, which provided encouraging signals in terms of visitors.

We believe that in coming financial periods the Company will reap the benefits of an improved exhibition calendar, returns on the efforts made to strengthen the exhibition portfolio and the results of the restructuring measures.

### The Chairperson

Roberto Rettani



# History of the Group

**1920**

The Fiera Campionaria Internazionale was held on the ramparts of Port Venezia, Milan, before transferring in 1923 to a permanent site in the area now occupied by fieramilanocity.



On 12 September, the Fiera Campionaria Internazionale inaugurated the new Fiera Milano exhibition site that had been rebuilt following its destruction during the World War II.

**1946**

**1997**

The Portello site was extended with the opening of three new large pavilions that increased the available exhibition space by 74,000 square metres gross, giving a total of over 348,000 square metres of space.



In February, Ente Autonomo Fiera Internazionale di Milano, a private foundation, was constituted. In October, the Foundation passed to Fiera Milano SpA management of the exhibition sites, the organisation of exhibitions and supply of exhibition services and the congress activities.

**2000**

**2002**

In December, Fiera Milano SpA was listed on the Italian stock market. Fiera Milano increased its range of activities through the acquisition of some important exhibition organisers and enhanced its offering in stand-fitting services, catering, trade publications and internet services.





## 2008

An intense internationalisation process was started with the signature of a joint venture with Deutsche Messe, the owner of the Hannover exhibition site, covering regions outside Europe.



On 31 March, the new Fiera Milano exhibition complex on the outskirts of Milan was inaugurated; the site has 345,000 square metres of exhibition space. Some of the pavilions of the downtown site continued in use.

## 2005

MiCo – Milano Congressi opened: this is the largest and most modern congress centre in Europe with capacity for 18,000 delegates. It is managed by Fiera Milano Congressi and was built by Fondazione Fiera Milano through the conversion of part of the fieramilanocity exhibition site.

## 2011

## 2015

The World Expo 2015 was held in Milan with great success. Fiera Milano was the Official Partner for Operations. Fiera Milano Group provided stand-fitting, logistics, and structure management services to the company Expo 2015 and to several of the countries participating in the event.



Fiera Milano successfully concluded a paid share capital increase with 95.6% of the shares offered subscribed for a total value of Euro 66.8 million. 2016 was dedicated to customer satisfaction through improvements to the quality of services offered. Moreover, the Company strengthened the exhibition calendar. The results will be visible in 2017 with the launch of eight new events (including Tempo di Libri, Lamiera and Expo Ferroviaria).

## 2016



# Group structure



## ITALIAN EXHIBITIONS



100%

49%



51%



## FOREIGN EXHIBITIONS



**FIERA MILANO  
EUROFAIRS**

99.98%

99%



**CIPA FIERA MILANO**

1%



**FIERA MILANO INDIA**

99.99%



**FIERA MILANO RUSSIA**

100%



**HANNOVER MILANO  
GLOBAL GERMANY**

49%



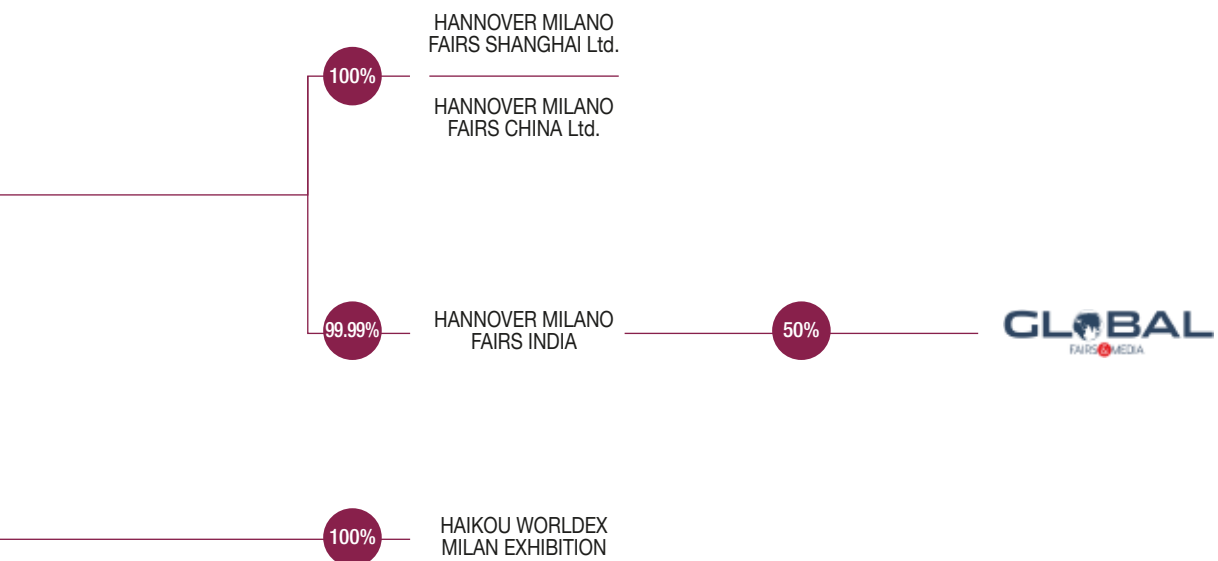
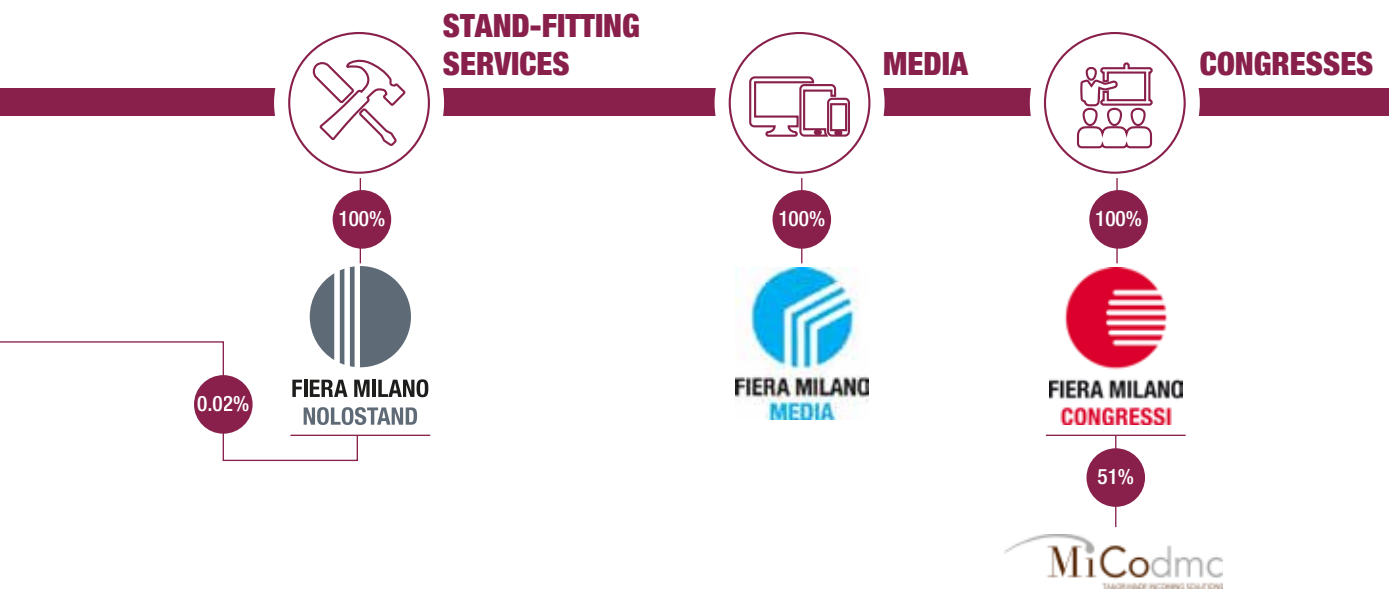
**FIERA MILANO  
EXHIBITIONS AFRICA**

100%



**WORLDEX FIERA MILANO**

75%





## Key Group values

### Ethics

Integrity, transparency, impartiality and correctness in executing its business and in all relationships of whatever type or nature.

### Client Satisfaction

Maximum focus on clients (organisers, exhibitors, visitors) ensuring a range of quality services that meet their needs and expectations.

### Make the best possible use of the assets managed

Continuous monitoring and timely intervention for the most effective use of the exhibition facilities, to provide the most efficient services, and to offer clients areas that are not merely functional and secure but are also welcoming and aesthetically pleasing.

### Professionalism

The Company offers a combination of skills, attention to detail, responsibility, diligence, conscientiousness and exceptional preparation in all its business activities.

### Collaboration

Sharing of information and knowledge to enhance value and to validate professional identity while overcoming organisational restrictions.

### Innovation

A search for innovative and original solutions, finding new potential approaches to any situation or problem and conceiving/ generating original ideas.

### Sustainability

Generate value for the region, support the community and businesses and identify synergies that help protect the environment.

### Safety

An explicit undertaking to spread and reinforce safety in the workplace and the awareness of potential risks by using all the resources necessary for guaranteeing the health and safety of all those who work with Fiera Milano.

ITALVISCOSA

**CLIENT SATISFACTION**

COLLABORATION

**ETHICS**

PROFESSIONALISM

**innovation**

make the best possible use  
of the assets managed

**SAFETY**

SUSTAINABILITY

RAI

1920  
2016

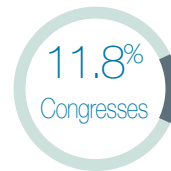
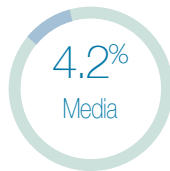
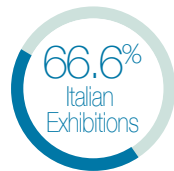


# Highlights

## PERFORMANCE



Revenues Euro **221** million of which Euro **7** million abroad



## BUSINESS



**81**

exhibitions of which  
35 abroad

**31,830**

exhibitors of which  
8,030 abroad



## EXHIBITION SPACE

Net exhibition space occupied

**1,653,300**sqm

of which **367,700**sqm abroad

Total gross exhibition space:

**388,000**sqm

of which in the **fieramilano** exhibition site

**345,000**sqm

and in the **fieramilanocity** exhibition site

**43,000**sqm



## PERSONNEL

Group employees

**725** of which 141  
abroad

Female employees

**60%** of which

middle management	24%
office staff	42%

## ENVIRONMENT

Environmental cost

per square metre occupied\*:

**3.65**€

(\*) includes costs of electricity, district heating, drinking water and groundwater used in the pavilions during exhibitions and in all central structure buildings during the setting-up, running and dismantling of exhibitions.

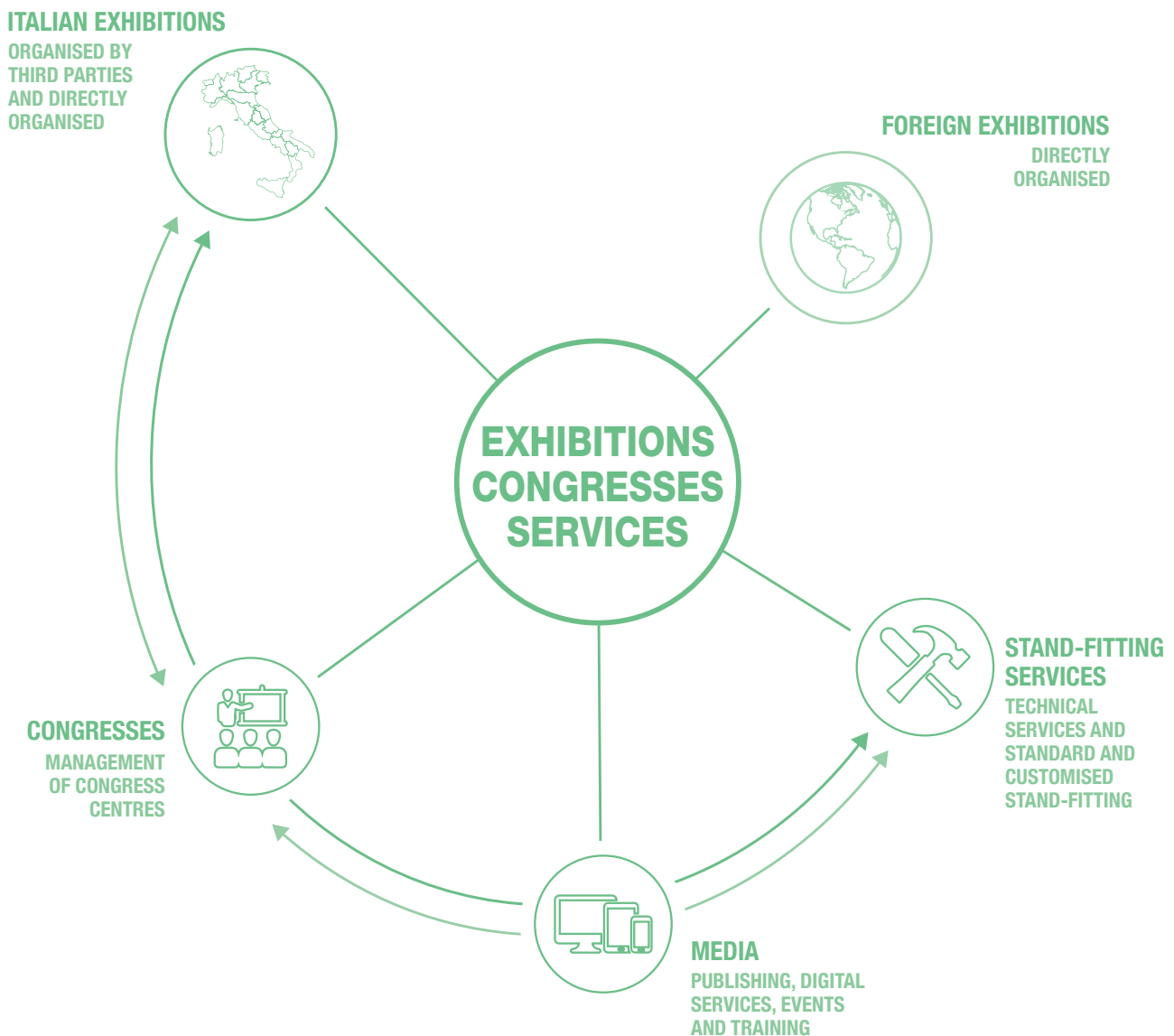






## Business Model

- 📍 The Fiera Milano Group is involved in all the characteristic phases of the exhibition and congress sector and is one of the leading international integrated companies in this sector





# Corporate bodies and independent auditor

## BOARD OF DIRECTORS

Roberto Rettani	<i>Chairperson<sup>(1)</sup></i>
Attilio Fontana	<i>Deputy Vice Chairperson<sup>(2, 3)</sup></i>
Licia Ronzulli	<i>Vice Chairperson<sup>(2, 3)</sup></i>
Corrado Peraboni	<i>Chief Executive Officer<sup>(4)</sup></i>
Joyce Victoria Bigio	<i>Director<sup>(2, 3)</sup></i>
Renato Borghi	<i>Director<sup>(3, 5)</sup></i>
Pier Andrea Chevallard	<i>Director<sup>(2, 3, 6)</sup></i>
Romeo Robiglio	<i>Director</i>
Vincenza Patrizia Rutigliano	<i>Director<sup>(2, 3)</sup></i>

(1) Chairperson vested with the responsibility for the ordinary management of the Company since 13 January 2017.

(2) Independent Director under the Self-regulatory Code of Borsa Italiana.

(3) Independent Director under Article 148, paragraph 3 of Legislative Decree no. 58 of 24 February 1998.

(4) Chief Executive Officer until 13 January 2017.

(5) Member of the Control and Risk Committee until 17 February 2017.

(6) Chairperson and member of the Supervisory Body under Legislative Decree 231/01 until 28 October 2016.

## CONTROL AND RISK COMMITTEE

Joyce Victoria Bigio  
Vincenza Patrizia Rutigliano

## REMUNERATION COMMITTEE

Attilio Fontana  
Romeo Robiglio  
Licia Ronzulli

## BOARD OF STATUTORY AUDITORS

Federica Palmira Nolli	Chairperson
Antonio Guastoni	Statutory Auditor
Carmine Pallino	Statutory Auditor
Francesca Maria D'Alessandro	Substitute Auditor
Alessandro Carlo Galli	Substitute Auditor



## 📍 SUPERVISORY BOARD UNDER LEGISLATIVE DECREE 231/01

Ugo Lecis  
Federica Palmira Nolli  
Andrea Pizzoli

## 📍 MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL STATEMENTS UNDER LAW 262/2005

Sebastiano Carbone

\*\*\*

The Board of Directors and the Board of Statutory Auditors were appointed by the Shareholders' Meeting of 29 April 2015 and their mandates were due to expire at the Shareholders' Meeting to approve the Financial Statements at 31 December 2017.

On 13 January 2017, the majority of Directors on the Board of Directors resigned their responsibilities with effect from the date of the Shareholders' Meeting to approve the Financial Statements at 31 December 2016 causing the dissolution of the whole Board of Directors.

The Board of Directors is invested with the widest powers for the ordinary and extraordinary management of the Company, except for those which, pursuant to law, are reserved for the Shareholders' Meeting.

In addition to legal representation and to the responsibilities under the law and in the Company Articles of Association, the Chairperson has, in agreement with the Chief Executive Officer, exercised the following prerogatives: relations with shareholders, national and international institutional relations, internationalisation activities, new strategic initiatives, coordination of the work of the Board of Directors for the appointment of new Directors and verification that decisions taken by the Board of

Directors are implemented, as well as supervision of the internal audit activities.

On 13 January 2017, the Board of Directors gave the authority for the ordinary management of the Company to the Chairperson and on 19 January 2017: i) defined in greater detail the powers for the ordinary management of the Company; ii) gave the responsibility of overseeing the internal audit department to the Chairperson of the Control and Risk Committee, the Director Ms Joyce Victoria Bigio and iii) left the role of "Director responsible for the internal audit and risk management system" under Article 7 of the Self-Regulatory Code in the hands of the Chairperson. Following these attributions of responsibilities for the ordinary management of the Company, the Chairperson could no longer be considered independent under the requirements of the Self-regulatory Code of Borsa Italiana or under Article 148, paragraph 3 of Legislative Decree no. 58 of 24 February 1998.

At his appointment on 29 April 2015, the Chief Executive Officer, Mr Corrado Peraboni, was invested with all the powers for the ordinary and extraordinary management of the Company, except for those that are reserved exclusively for the Board of Directors.

On 13 January 2017, the Chief Executive Officer resigned his responsibilities.

## 📍 INDEPENDENT AUDITOR

EY SpA

The mandate, given by the Shareholders' Meeting of 29 April 2014, is for the financial years 2014-2022.



# Notice of convocation of the Extraordinary Shareholders' Meeting and the Ordinary Shareholders' Meeting



## FIERA MILANO

FIERA MILANO S.p.A.  
Registered office in Milan, Piazzale Carlo Magno, 1  
Operational and administrative headquarters in Rho (MI), Strada Statale del Sempione, 28  
Share capital Euro 42,445,141.00 fully paid-up  
Milan Company Register,  
Tax code and VAT number 13194800150

- Notice of convocation of the Extraordinary Shareholders' Meeting and the Ordinary Shareholders' Meeting
- Extraordinary and Ordinary meetings of shareholders of Fiera Milano SpA are both convened once in Rho (Milan), in the Auditorium of the Centro Servizi of the Exhibition Site, Strada Statale del Sempione 28, (reserved parking available on entering from Porta Sud), on 21 April 2017 at 14.30 hours to approve the following

### Agenda

#### Extraordinary section

- Proposed amendments to Articles 13,14,15,16,17,18 and 20 of the Articles of Association requested by the shareholder Fondazione Fiera Milano under Articles 2367 of the Italian Civil Code and 125-ter of Legislative Decree of 24 February 1998 no. 58. Resolutions pertaining thereto and resulting therefrom.

#### Ordinary section

- The Financial Statements at 31 December 2016, the Board of Directors' Management Report, the Report of the Board of Statutory Auditors, and the Report of the Independent Auditors. Resolutions pertaining thereto and resulting therefrom. Presentation of the Consolidated Financial Statements at 31 December 2016.
- The appointment of the Board of Directors and of its Chairperson following prior decisions on the length of their mandates, the number of members of the Board of Directors and their remuneration. Resolutions pertaining thereto and resulting therefrom
- The Report on Remuneration pursuant to Article 123-ter of Legislative Decree 58/98. Resolutions pertaining thereto and resulting therefrom.
- Authority to acquire and dispose of treasury shares under Articles 2357 and 2357-ter of the Italian Civil Code following prior cancellation of the authority granted by the Shareholders' Meeting of 28 April 2016. Resolutions pertaining thereto and resulting therefrom.



The issued and fully paid-up share capital is Euro 42,445,141.00 (forty-two million four hundred and forty-five thousand one hundred and forty-one) made up of no. 71,917,829 (seventy-one million nine hundred and seventeen thousand eight hundred and twenty-nine) registered shares with no nominal value. The shares are indivisible and each carries one voting right except for treasury shares held either directly or indirectly, which do not have this right. At today's date, the Company holds directly no. 939,018 treasury shares, equal to 1.31% of the share capital.

### Additions to the Agenda and tabling of new resolutions.

Shareholders who collectively represent at least one-fortieth of the Company's share capital may also request, in writing, additions to the agenda of the meeting within ten days of publication of this notice in accordance with Article 126-*bis* of Legislative Decree 58/1998 (the "Consolidated Finance Act") and Article 10.3 of the Articles of Association specifying in the request the additional topics they wish to discuss or any proposals for additional discussions on items already on the Agenda. Any such request must be sent, together with certification of ownership of the shares, by registered delivery, with proof of receipt, to the operational and administrative offices of the Company in Rho (Milan), Strada Statale del Sempione 28 (Investor Relations Department) or by e-mail to the e-mail address [investor.relations@fieramilano.it](mailto:investor.relations@fieramilano.it). Within the same time limit and in the same way a report which gives the reasons for the request for additional topics to be deliberated or for additional discussions of items already on the Agenda must be delivered to the Board of Directors of the Company. Requests for additions to the Agenda are not permitted if they concern topics that the Shareholders' Meeting has been asked to approve by the Directors under applicable law or pertain to a plan or report prepared by the Directors.

### Legitimate attendance at the Shareholders' Meeting.

Legitimate attendance at the Shareholders' Meeting and the exercise of the right to vote must be proved by a communication to the Company from an intermediary that agrees with the latter's accounting records on behalf of the person having the right to vote on the basis of evidence of possession of the shares at the end of the accounting day on the

seventh trading day preceding the date set for the Shareholders' Meeting (i.e. by 10 April 2017); credit or debit registrations to the share account after this time will not be considered for the legitimate exercise of voting rights at the Shareholders' Meeting. Those who appear as shareholders of the Company after this date are not permitted to attend or vote in the Shareholders' Meeting. The aforementioned communication from the intermediary must reach the Company by the end of the third stock market trading day prior to the date set for the Shareholders' Meeting (i.e. by 18 April 2017). Those persons whose communication arrives at the Company after this date, as long as it arrives before the start of the Shareholders' Meeting that has been convened, may still legitimately attend and vote at the Meeting.

### Proxy attendance at the Shareholders' Meeting.

Any person who may legitimately attend the Shareholders' Meeting may be represented by a written proxy according to the provisions of enacted law if the person who may legitimately vote signs the proxy form that is available on the Company website [www.fieramilano.it](http://www.fieramilano.it) (under *Investor Relations/Corporate Governance/Shareholders' Meeting*). Notification of the proxy may be made by sending the form to the operational and administrative headquarters of the Company in Rho (Milan), Strada Statale del Sempione 28 (Investor Relations Department) or to the e-mail address [investor.relations@fieramilano.it](mailto:investor.relations@fieramilano.it). Proxies attending the Shareholders' Meeting on behalf of shareholders must demonstrate, assuming full responsibility, that they are the person delegated in the original notification and have a proxy form that is identical to the original notification.

The proxy may also be freely given, with instructions on how to vote, to Computershare S.p.A., which has been delegated for this purpose by the Company, in accordance with Article 135-*undecies* of the Consolidated Finance Act, by signing the proxy form available from 10 March 2017, the date the Notice of the Shareholders' Meeting is published, on the Company website [www.fieramilano.it](http://www.fieramilano.it) (under *Investor Relations/Corporate Governance/Shareholders' Meetings*) on condition that the original is received by Computershare S.p.A. at its registered office in via Lorenzo Mascheroni 19, 20145 Milan, and by sending in advance a fax to +39-02-46776850 declaring that the proxy corresponds



to the original notification or by sending it as an e-mail attachment to the e-mail address [ufficiomilano@pecserviziottoli.it](mailto:ufficiomilano@pecserviziottoli.it) by the end of the second stock market trading day preceding the date of the Shareholders' Meeting (i.e. by 19 April 2017). Proxies given in this manner may only be used for proposals where voting instructions have also been given. The proxy and the voting instructions may be retracted within the same time period above (i.e. by 19 April 2017).

#### Right to table questions regarding items on the Agenda.

Shareholders may table questions regarding the items on the agenda of the Shareholders' Meeting before the Meeting in accordance with Article 127-ter of the Consolidated Finance Act; these must be sent by registered delivery, with proof of receipt, to the operational and administrative offices of the Company in Rho (Milan), Strada Statale del Sempione 28 (Investor Relations Department) or by e-mail to the e-mail address [investor.relations@fieramilano.it](mailto:investor.relations@fieramilano.it). Questions received by the third day preceding the date of the only convocation of the Shareholders' Meeting (i.e. by 18 April 2017) will be answered, at the latest, during the Shareholders' Meeting and the Company reserves the right to give a single answer to questions covering the same item.

**Item two on the Agenda of the Ordinary Shareholder' Meeting**, it should be remembered that, in accordance with Article 14 of the Articles of Association, appointment of members of the

Board of Directors takes place based on lists presented by shareholders who, alone or with other shareholders, represent at least 2.5% of the share capital with voting rights in Ordinary Shareholders' Meetings. Shareholders must deposit the lists of candidates for Directors at the Company's registered office or, preferably, at the reception desk of the administrative and operational headquarters of the Company in Rho (Milan), S.S. del Sempione 28, by the twenty-fifth day prior to the date fixed for the only convocation of the Shareholders' Meeting (i.e. by 27 March 2017); all lists of candidates to be Directors must be accompanied by information on the identities of the shareholders presenting the list and the percentage of shares held by these shareholders, as well as the necessary certification of ownership of the shares released by authorised intermediaries in accordance with law.

Certification of ownership of the shares at the date on which the lists are deposited may be provided at a later date as long as it is provided by the twenty-first day preceding the date for the only convocation of the Shareholders' Meeting (i.e. by 31 March 2017).

At least twenty-five days prior to the date fixed for the only convocation of the Shareholders' Meeting, detailed information must be provided on the professional and personal qualifications of the candidates, including a list of the administrative and control positions held by each candidate in other companies (that must updated and communicated





to the Company should any changes occur prior to the date of the Shareholders' Meeting), and statements given by individual candidates, of their own responsibility, that no reason exists to make their candidacy ineligible or incompatible and that they meet the requisites for taking office laid down by current regulations, including a declaration that they meet the necessary independence from the Company in accordance with the requirements for independence under the enacted Self-regulatory Code of listed companies. Lists of candidates for the administrative bodies that fail to comply with the relative legal requirements shall not be recognised as having been presented.

## Documentation and Information.

In accordance with enacted law, the documentation relating to items on the Agenda will be deposited at the registered office of the Company and at its operational and administrative offices in Rho (Milan), Strada Statale del Sempione 28, Centro Servizi, Office Reception, on the Company website [www.fieramilano.it](http://www.fieramilano.it) under *Investor Relations/Corporate Governance/Shareholders' Meetings*, and on the website [www.emarketstorage.com](http://www.emarketstorage.com) managed by Spafid Connect S.p.A. as required by law. Shareholders may obtain copies of all the aforementioned documentation.

Rho (Milan), 10 March 2017

The Chairperson of the Board of Directors

Roberto Rettani

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## Summary of results and significant events during the year

In the context of an economy with continued moderate growth, the 2016 results reflect an unfavourable exhibition calendar due to the absence of some multi-annual exhibitions and some important proprietary biennial exhibitions. When the figures are compared with those of the previous financial year, which included some activities linked to Expo 2015, both revenues and margins in 2016 demonstrate the full impact of these circumstances.

During the financial year under review, there were significant reductions in operating costs from the restructuring commenced in 2015 and from savings from the new rental contract for the **fieramilano** exhibition site.

In Italy, as part of the strategy to strengthen the portfolio of directly organised exhibitions, several exhibition trademarks were acquired and important partnership agreements signed to strengthen existing exhibitions or to launch new ones. During the financial year under review, in order to expand the portfolio of exhibitions, the Company signed agreements with third-party organisers for the transfer of several exhibitions to the Fiera Milano exhibition sites starting as early as 2017.

The outlook of lower growth required the recognition of significant impairment losses for intangible assets, in particular, for exhibition trademarks and publications in Italy and for goodwill and exhibition trademarks in foreign companies.

The Group is carrying out a strategic repositioning of its business outside Italy, which is based on a primary focus on product while investments in corporate assets have become of secondary importance.

When reading these figures it should be remembered that the exhibition business is seasonal due to the existence of exhibitions that have a biennial and multi-annual frequency. This makes a comparison between financial years more difficult. It should be noted that there were no atypical and/or unusual transactions or significant events and non-recurring transactions during the financial year under review. Details and information on related-party transactions are given in the Explanatory and Supplementary Notes to the Accounts.



## Fiera Milano Group Summary of key figures

<i>(Amounts in €'000)</i>	Full year 31.12.2016	Full year 31.12.2015 restated	Full year 31.12.2014 restated
Revenues from sales and services	221,041	335,172	240,067
Gross operating result <sup>(a)</sup>	3,652	43,538	(147)
Net operating result (EBIT)	(22,994)	13,397	(18,620)
Net profit/(loss) from continuing operations	(18,674)	3,903	(18,753)
Net profit/(loss) from discontinued operations	(4,176)	(3,474)	(353)
Net profit/(loss)	(22,850)	429	(19,106)
- Attributable to the shareholders of the controlling entity	(22,794)	1,014	(18,955)
- Attributable to non-controlling interests	(56)	(585)	(151)
Cash flow of the Group and non-controlling interests <sup>(b)</sup>	3,796	30,570	(633)
Net capital employed <sup>(c)</sup>	99,995	97,694	141,355
covered by:			
Equity attributable to the Group	61,006	84,572	17,034
Equity attributable to non-controlling interests	673	696	2,654
Net financial debt/(cash) continuing operations and assets held for sale	38,316	12,426	121,667
Investments (continuing operations and assets held for sale)	7,387	7,817	8,515
Employees (no. of permanent employees at year end)	725	783	807

(a) Gross operating profit is the operating result before depreciation and amortisation, adjustments to asset values and other provisions.

(b) Cash flow is the net result for the financial year, plus depreciation and amortisation, provisions and adjustments to asset values.

(c) Net capital employed is non-current assets, non-current liabilities and net working capital.

Some of the 2014 and 2015 figures have been restated for comparative purposes to reflect the accounting of the Chinese companies, Worldex and Haikou Worldex, under IFRS 5, following the divestment of the subsidiary Interteks on 27 July 2015, and for the different classification of the use of risk provisions in FY2014.

### New initiatives and measures taken to optimise the exhibition portfolio

On 23 March 2016, the Parent Company acquired for € 1.400 million the trademark of the exhibition, Promotion Trade Exhibition (PTE), an annual international exhibition for promotional articles, business gifts and technologies for the personalisation of these items. The acquisition strengthens the portfolio of proprietary exhibitions, which is one of the strategic aims of the Company. This exhibition, already held in the Fiera Milano exhibition site but previously organised by a third-party, will now be directly organised by Fiera Milano SpA. The exhibition will be included in the Lifestyle division and, in the medium-term, will be held alongside HOMI. On 6 May 2016, Fiera Milano and Veronafiore signed an agreement for a single annual international fair dedicated to the fruit and vegetable sector that unites Fruit Innovation held in Milan and Fruit&Veg System held in Verona; the new exhibition will be held in even-numbered years in Verona, when the emphasis will be on upstream activities and technology used in agriculture, and in uneven-numbered years in Milan when the emphasis will be on finished products. The first edition of the fruit and vegetable exhibition, Fruit&Veg Innovation, will be held in Milan from 8-11 May 2017 in conjunction with Tuttofood. The exhibition completes the offer in the emerging sector of organic and vegan produce that is already widely available in Milan. The agreement between Fiera Milano SpA and Veronafiore, governed by a non-compete agreement, also includes an event to be organised by Veronafiore called "Wine Discovery".



Also as part of the strategy to strengthen the portfolio of directly organised exhibitions, on 5 September 2016, Fiera Milano SpA and Ediser Srl, a service company belonging to the Associazione Italiana Editori (AIE), set up a company called La Fabbrica del Libro SpA. The two companies hold respectively 51% and 49% of the shares of the new company. This partnership will develop activities connected to book publishing, also through the organisation of fairs throughout Italy, focusing on all forms of publishing. The first event, Tempo di Libri, will be held in Milan from 19-23 April 2017. It will involve editors, authors, librarians, bookshops, students and readers in a major event combining tradition with innovation.

On 27 September 2016, the exhibition trademark NF – Travel & Technology Event was acquired. In 2017 it will be integrated into the proprietary exhibition BIT as part of a content development project structured around professional conferences and seminars.

## Restructuring activities abroad

On 4 November 2016, the Board of Directors of the Company approved the sale of the 75% shareholding in the Chinese subsidiary Worldex Fiera Milano Exhibitions Co., Ltd, to Singex Exhibitions Pte Ltd. The transaction was subject to the approval of the management of the latter. This sale is part of the Group strategy to concentrate its Chinese activities in the joint venture with its German partner Deutsche Messe. In accordance with IFRS 5, from 2016 the net assets of Worldex held for sale have been reclassified under discontinued operations and recognised at fair value. This had a negative impact of Euro 4.176 million on the results of discontinued operations that derived from the difference between the accounting value of the assets held for sale and the selling price of the same assets. The contract for the sale was signed on 22 February 2017. Details are given in the section on Significant events after the end of the reporting period.

## Administration orders

With an order issued on 23 June 2016 and deposited on 24 June 2016, the Milan Court – Prevention Court Independent Section in the persons of the judges Mr Fabio Roia, Ms Veronica Tallarida and Mr Ilario Pontani meeting in camera issued, under Article 34 of the Legislative Decree of 6 September 2011 no. 159 pertaining to the “anti-mafia laws and prevention measures, including new provisions covering anti-mafia documentation in accordance with Articles 1 and 2 of Legislative Decree of 13 August 2010 no. 136”, an Administration order for Nolostand SpA for a period of six months and appointed as authorised magistrates for the case Mr Fabio Roia and Ms Veronica Tallarida and, as Court-appointed Administrator, Mr Piero Antonio Capitini.

On 6 July 2016, the Milan Tax Squad notified Nolostand SpA of the aforementioned administration order. Under the law, the aim of the order is to protect the assets of Nolostand SpA from any potential infiltration and/or collusion.

Under the provisions of the administration order, the Court-appointed Administrator will ensure his/her presence in the company and maintain regular contact with the directors of the company, with management and with the head of internal audit, and monitor and approve any changes in personnel, issue authorisations for contract terminations and the stipulation of new contracts with suppliers, oversee payments to suppliers and verify the service supplied by contractors while requiring the Sole Director of the company to implement initiatives aimed at counteracting any potential infiltration.



With an order issued on 28 September 2016 and deposited on 11 October 2016, the Milan Court – Prevention Court Independent Section in the persons of the judges Mr Fabio Roia, Ms Veronica Tallarida and Mr Ilario Pontani meeting in camera issued, under Article 34 of the Legislative Decree 159/2011, an Administration order for Fiera Milano SpA for a period of six months limited to the business area linked to Nolostand, since there was only evidence of criminal infiltrations in the sector delegated to the subsidiary and involving the exhibition stand-fitting business division.

The same order appointed:

- as case-specific authorised magistrates, Mr Fabio Roia and Ms Veronica Tallarida;
- as Court-appointed Administrator, Mr Piero Antonio Capitini;
- as the Company defence counsel, Mr Angelo Giarda and Mr Enrico Giarda.

Under the provisions of the administration order, the Court-appointed Administrator will be present in the company and maintain regular contact with the Directors of the Company, with management and with the head of internal audit, and monitor and approve any changes in personnel, issue authorisations for contract terminations and the stipulation of new contracts with suppliers, oversee payments to suppliers and verify the service supplied by contractors while supporting the Board of Directors of the Company to implement initiatives aimed at counteracting any potential infiltration.

The two administration orders were both for six months but were extendable for a further six months. At the hearing of 22 November 2016, the Milan Court ordered that the Administration orders for Fiera Milano SpA and Nolostand SpA be unified as the matters under both were closely connected. On 20 December 2016, having heard the Court-appointed Administrator, the Milan Court extended the administration order for Nolostand SpA for a further six months.

Therefore, the unified administration order will expire on 6 July 2017 unless the Milan Court decrees otherwise. Lastly, on 27 January 2017, the Court, without prejudice to the existing procedures under the administration order, extended the order to all corporate activities regarding just the following areas/authorities of Fiera Milano SpA:

- approval of operating procedures to safeguard the legality of administrative actions and the monitoring of actions taken by the Company to increase the efficacy of these legal safeguards;
- to approve, in particular as far as concerns the means and timing of contract renewals, the operating procedures for the procurement of goods and services;
- to monitor the efficacy and timeliness with which the measures are implemented by the Company, also through the use of external consultants, to ensure the legal safeguards for administrative actions during the period of the administration order;
- quantitative and qualitative upgrading of the internal audit structure and verification of the timely implementation of the upgrades;
- to revise the audit plan and supervise the related activity;
- to revise the corporate responsibility structure exclusively for procurement and compliance, including reviewing the necessary requirements of professionalism and introducing any eventual rules governing rotation/replacement;
- appointment and removal of the head of the compliance department, deciding the relative responsibilities also regarding checks on the reputations of suppliers of goods and services, and regarding the procedures governing whistleblowing.

Giving these additional specific powers to the Court-appointed Administrator is intended to support the company administration but also confirms that the administration and management of the Company remain the domain of the Board of Directors. Therefore, Fiera Milano SpA and its subsidiary Nolostand SpA continue to operate normally



carrying out their normal business under the control and oversight of the Court-appointed Administrator and, at the same time, the Board of Directors retains unchanged the authority vested in it. Fiera Milano Group is collaborating fully with the Court-appointed Administrator in order to ensure business continuity. Following receipt of the aforementioned administration orders, the Parent Company and Nolostand SpA implemented a series of initiatives to break with the past and revise, enhance and introduce new rules, based on new operational models and methodologies, to improve business management. Furthermore, the employees of Nolostand SpA and Fiera Milano SpA mentioned in the investigation documents of the Milan Public Prosecutor have been suspended and/or dismissed.

Provisions of Euro 1.390 million were made to the risk and costs provision in the Consolidated Financial Statements for risks associated with the above events; these are estimates of the probable liabilities linked to legal actions following on the measures taken.

The Group has undertaken, with the support of leading consultancy firms, an intense activity aimed at strengthening the legal safeguards in the procurement department and has adopted a procedure (that includes reputational checks and checks on the corporate structures) of Group suppliers. All the steps taken aim to avoid any further episodes of criminal infiltrations in the future. The events have provided an opportunity to improve corporate procedures in order that this episode concludes with the Group possessing a reference framework in line with current best practice.

The main features of the projects underway are expected to be finalised within the timeframe of the administration orders.

From an operational viewpoint, although there has been some difficulty and delay caused by logistical problems to replace the suppliers that were the cause of the administration orders, the stand-fitting business has continued and exhibitions have been held, which points to a positive future trend for the stand-fitting business division.

As regards the legal proceedings against the representatives of the supplier, the Parent Company Fiera Milano SpA and Nolostand SpA requested that they be allowed as victims and injured parties to bring a civil action against these persons. On 3 February 2017, all the accused were sentenced to the penalties imposed by the fair ruling of the court and to the payment of reparations for material and non-material damages arising from the civil action brought by Fiera Milano SpA and Nolostand SpA, to be settled by a separate civil judgement. Moreover, with reference to the aforementioned preventative measures, at the current time no risks linked to the application of Legislative Decree 231/2001 have been found.

At present, on the basis of available information and an evaluation carried out of the known risks when preparing these Financial Statements and, while recognising that elements of uncertainty exist given the ongoing administration orders and the procedural reorganisation currently underway, it is not felt that the administration orders have a significant impact on the ongoing business of the Fiera Milano Group. However, it cannot be excluded that the progress of the investigation and further analysis of the events that gave rise to the administration order could affect the capital and financial situation of the Group in the future.

## Other information

On 14 June 2016, Fiera Milano SpA, as part of a move to strengthen its capital, decided to convert into shares the credit it held as a result of a Euro 2.893 million loan given to Eurofairs International Consultoria Participações Ltda.

On 22 July 2016, Fiera Milano SpA waived the Euro 0.706 million credit from the financing given to Fiera Milano Exhibitions Africa thereby strengthening the capital of the latter company.



On 30 June 2016, Fiera Milano SpA waived the loan of Euro 0.560 million given to Limited Liability Company Fiera Milano thereby strengthening the capital of the latter company.

On 24 June 2016, Fiera Milano SpA announced the start of a buyback of shares using the authority given to it by the Ordinary Shareholders' Meeting of 28 April 2016. The buyback was aimed at increasing the portfolio of treasury shares in support of the 2017-2023 Stock Option Plan and to be used to stabilise the share price. At 31 December 2016, the Company had bought back 294,010 treasury shares at an average price of Euro 1.58 per share for a total value of Euro 0.464 million. At 31 December, the Company held, directly and indirectly, 939,018 treasury shares, equivalent to 1.31% of the share capital.

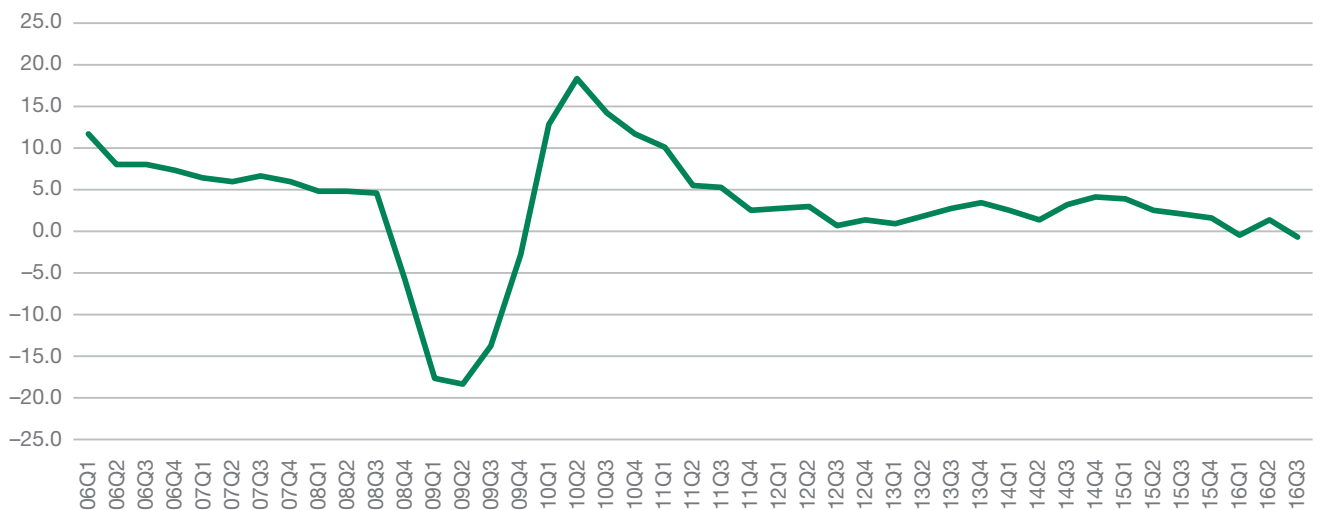


# Macroeconomic and reference sector background

## Macroeconomic trends

There were unexpected outcomes to some of the elections held in 2016 which gave rise to a deep sense of uncertainty. The British Prime Minister declared that Great Britain would leave the European Union abandoning both the single market and the customs union: Great Britain intends to negotiate a free trade agreement with the EU and sign independent agreements with other countries “to remove as many barriers and obstacles as possible”.

### World trade; annual % change



To the political and economic uncertainties were added those caused by instability in the Middle East and terrorism threats that impacted travel and perceptions of safety. The first measures of the Trump government (a bar on entry to the US by the citizens of some Middle East countries, withdrawal from the Trans-Pacific Partnership) appear to confirm the promises made during his electoral campaign.

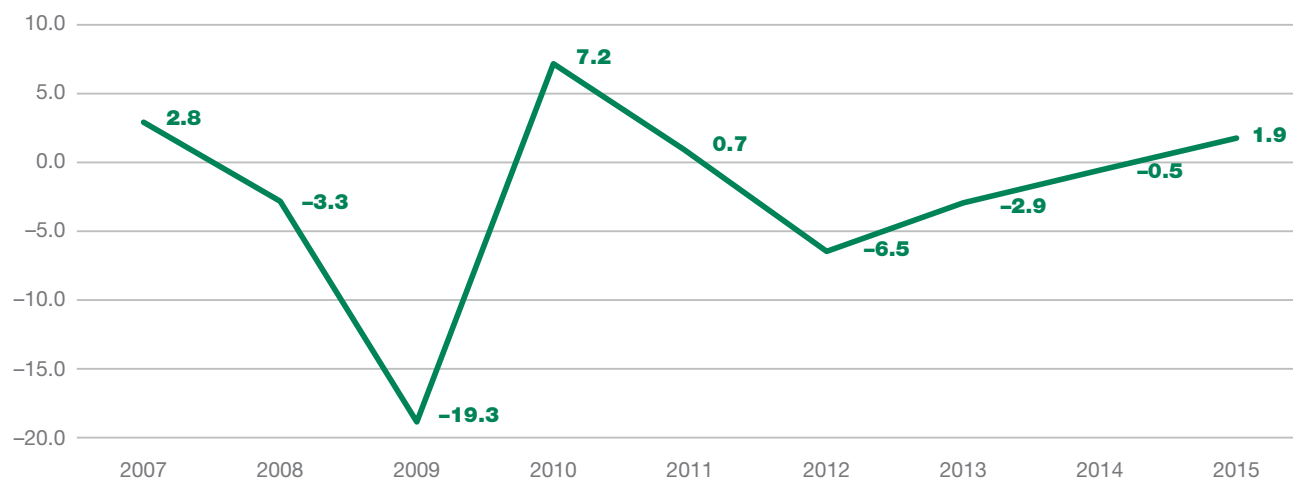
Alongside these circumstances, and in some ways influenced by them, is the economic crisis which continues to pose a threat on all levels – global, continental and domestic.

The global economy strongly affects the performance of the Italian economy: Italy is the ninth largest exporter in the world and has a 3.1% market share of global commerce. The Italian manufacturing system appears to have shrunk under the global crisis; between 2008 and 2016, the number of manufacturing companies declined by almost 90,000 due to a negative balance of payments in each of these years. However, the Centro Studi Confindustria, states that industrial production has increased since the last quarter of 2014.





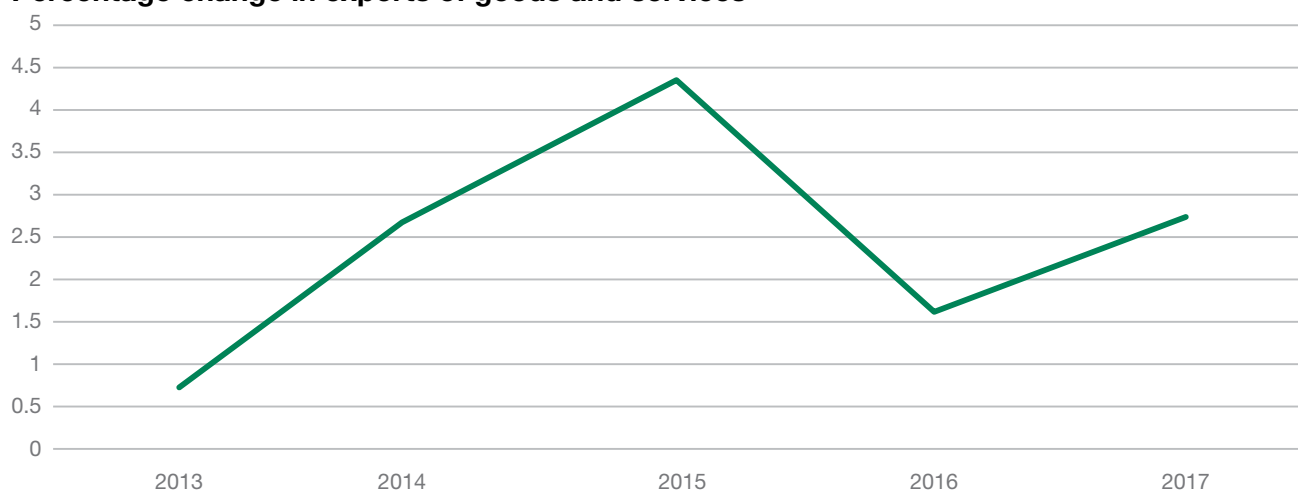
## Manufacturing activity – percentage change compared to the previous financial year



Source: ISTAT, monthly analyses of industrial production

According to the Centro Studi Confindustria, Italian exports are once again on the increase; following an increase of 1.4% in constant prices in 2016, they are forecast to grow 2.4% in 2017 and 2.7% in 2018.

## Percentage change in exports of goods and services



Source: MISE

## The exhibition sector

In 2015 the exhibition sector rose slightly: +1.7% in 2015 compared to 4.2% in 2014. The cause of the lower growth was the weak performance of some mature markets but also the decrease in markets such as Russia and Brazil and the stagnation in the Turkish market – namely, emerging markets that have promising growth prospects. The emerging markets were no longer the leading countries for acquisitions: transactions over the last five years peaked in the fourth quarter of 2016 (22) but many of these were in the United Kingdom and, in particular, in the United States where significant businesses owned by private equity funds were sold to exhibition organisers<sup>(1)</sup>.

(1) Steve Monnington, Exhibition World 4-2016.



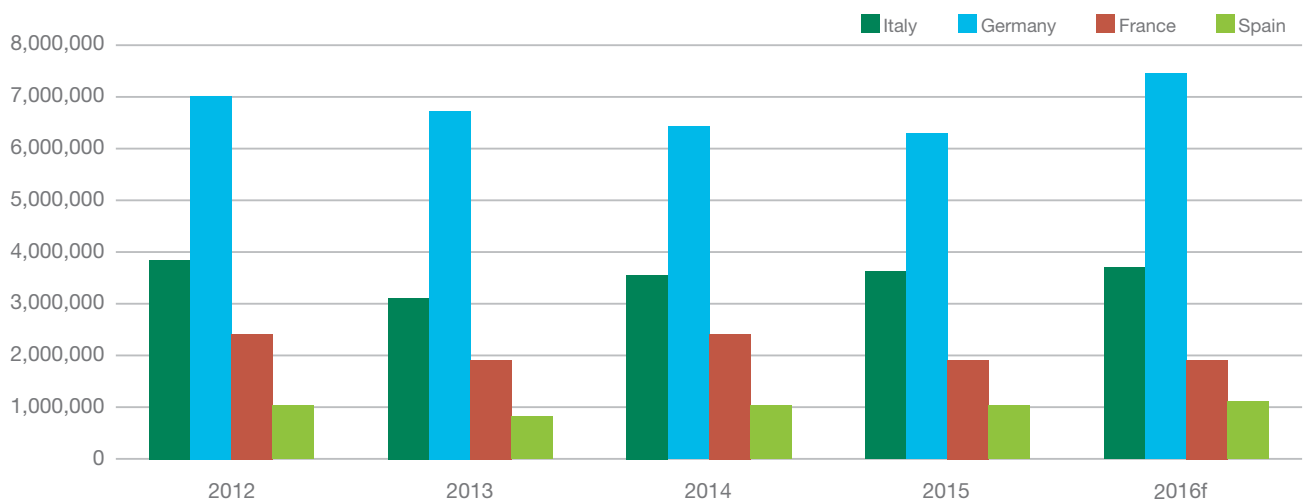
The Italian exhibition sector is the fourth largest globally and the second in Europe behind Germany in terms of square metres of space sold and many Italian exhibitions are global leaders in their sector. However, the Italian sector suffers from excess capacity – exhibition sites – and fierce international competition, which will probably mean that smaller sites will continue to exit the market. Digital investments remain limited and the revenues of exhibition organisers continue to be generated almost entirely from the sale of exhibition space.

The preliminary 2015 data for Italian exhibitions reveal that 2015 was a year of stability even though 2015, as an uneven-numbered year, should typically have been a year with a lower number of annual events in Italy. The results will certainly have benefited from the fact that several itinerant multi-annual events were held in 2015, for example, Expo 2015 in Milan, which encouraged other exhibitions to be held at the same time and which doubtless had considerable resonance at an international level. The amount of exhibition space and the total number of exhibitors, as well as the number of visitors, remain unchanged year-on-year. This is evidence that exhibitions are still of interest despite a decline in the budgets of those using exhibitions as a marketing tool. It is worth noting the growth in foreign exhibitors in 2015 compared to 2014 and the higher quota of foreign visitors in the unchanged figure for total visitors. The strong growth in foreign visitors largely reflects the presence of the multi-annual events.

Preliminary figures for 2016 are not yet available but early indications<sup>(2)</sup> point to a recovery in the market: all the figures from the members of CFI (*Comitato Fiere Industria*) on exhibitions organised in 2016 compared with the previous editions of the same exhibitions are positive: exhibition space sold is +2.7%, exhibitors are +6.5% and visitors +1.4%. There was also a noteworthy increase in Italian exhibitors: their numbers grew 7% compared to growth of 5.4% for foreign exhibitors. International exhibitions continue to be of interest to foreign visitors with their numbers increasing 4.7% compared to an unchanged figure for domestic visitors.

Dynamics such as protectionism, uncertainty, and movements in exchange rates all affect exports and the inclination of companies to participate in exhibitions, although it is difficult to estimate to what extent. Growth in the global economy stems from the free movement of goods, capital and people and the exhibition sector has made an important contribution to global growth by offering a platform for the international exchange of goods. The macroeconomic environment will influence the decisions of exhibitors and visitors but so will the strategies pursued by exhibition organisers: for example, there is an opportunity for exhibition organisers who reduce their dependence on the physical presence of international exhibitors and visitors who are more focused on their home continent. Other trends will affect the sector: digitalisation as a means of fostering collaboration among those with different competences, and the need to train and retain key personnel.

### Square metres rented out at international exhibitions



Source: Studi e Strategie Fondazione Fiera Milano using CERMES, AUMA, AMR, AFE, and OJS data. 2016 figures are estimates

(2) CFI, preliminary analyses.

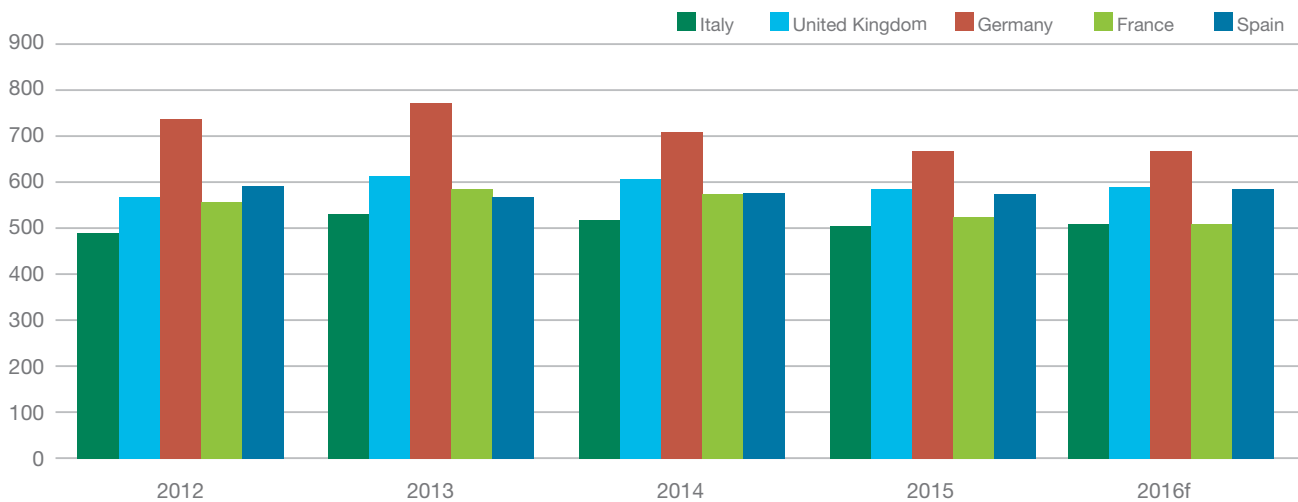


In 2015, Germany had a year-on-year decline in exhibition space rented out but in 2016 registered a peak with 7.5 million square metres of rented exhibition space, which exceeded the figure for 2012. This was, in part, due to an increase in annual exhibitions but also to the presence of large triennial and quadrennial exhibitions. Overall, the results for France were stable but two opposing trends were evident: an increase in the B2B sector and a significant decrease in foires, trade fairs, which make an important contribution to total exhibition space rented out in France.

## 📍 The congress sector

2015 data for the sector of itinerant international congresses gathered by ICCA (International Congress and Convention Association) show little change or a decrease in the number of events. This was due, in part, to the fact that by its nature this is an international sector and is, therefore, influenced to a greater degree by volatility in international markets and worries concerning security and the risk of terrorist attacks. Moreover, competition among the different destinations, which until recently was not very significant, is growing, particularly among the most favoured destinations. Lastly, ICCA derives its data from just one part of the congress sector, which is of great importance, but does not monitor some of the new emerging trends, for example, events that do not rotate among different countries. Final figures for 2016 are not yet available but preliminary figures indicate a more or less stable trend since the sector is not impacted by the volatility of other types of gatherings such as corporate events.

### Number of itinerant international congresses – ICCA



Source: Studi e Strategie Fondazione Fiera Milano using ICCA data. 2016 figures are estimates

A more detailed picture of the Italian congress market is provided by the report from the *Osservatorio Italiano dei Congressi e degli Eventi*, sponsored by *Federcongressi & Eventi* and compiled by the *Alta Scuola di Economia e Relazioni Internazionali (ASERI)* of the *Università Cattolica* in Milan: this monitors all types of congresses and events organised in Italy (congresses, conventions, promotions, product launches and meetings of any type organised by associations, companies, political parties, trade unions and entities of all kinds).

In 2015, approximately 392,000 events were held in Italy in which 26,000,000 people participated; the average duration of these events was 1.4 days and the average number of attendees at each event was ninety-two. 35% of the events in Italy were organised by associations, 55% by companies, and 10% by institutions. An analysis of the geographic distribution of these events shows that the majority were held in Northern Italy (56%) and involved 59% of attendees. Congress centres had the highest average occupancy of locations available for



these events (144) and events held in congress centres had the highest average duration (1.4 days per event); 53.1% of these events (excluding cultural and other events) were organised by associations and 18.5% by institutions. Moreover, the analyses show a significant presence at international events (13%) which cover an average of 198 days per annum.

## The outlook

UFI, the Global Association of the Exhibition Industry, has published the eighteenth edition of the *Global Exhibition Barometer*<sup>(3)</sup>, a survey carried out in January 2017 of exhibition sites, exhibition organisers and service providers in all continents to assess the health of the sector. The outlook for the global exhibition sector is positive. In the Americas, 81% of interviewees said that revenues were growing: optimism is strongest in Mexico and the United States while in South America the situation is more varied with Brazil showing good recovery following a second semester of 2016 when revenues declined; in other countries, the majority of those interviewed are forecasting a decrease in revenues. Europe, after years of ups and downs, is showing a positive trend and 78% of those interviewed expect revenues to increase in 2017. In Italy the outlook for the first semester is in line with those for Europe as a whole but there remains considerable uncertainty regarding forecasts for the second semester. The 2017 prospects for Germany are less optimistic with 8% of those surveyed expecting a decrease in revenues that could exceed 10%; however, 2016 was a particularly positive year for Germany.

According to forecasts, by 2020, GBP 600 million of the revenues of exhibition organisers will be generated by digital services provided to exhibitors and visitors compared to a current figure of GBP 400 million<sup>(4)</sup>. Currently, many organisers have yet to develop a digital offer capable of generating significant revenues. Exhibition organisers are interacting and, unfortunately, sometimes competing, with innovative businesses in the digital sector that have an advantage as regards the gathering, reading and interpretation of “big data”, which is an increasingly interesting area also for the exhibition sector.

Surveys of the leaders in the meetings and events<sup>(5)</sup> sector on future trends reveal a picture of moderate growth in Europe: growth of 6% is expected in the average scale of meetings and events; 58% of meeting planners expect an improvement in market conditions, 22% expect things to remain more or less stable; and 21% expect conditions to deteriorate. Organisers of congresses sponsored by associations are more cautious and highlight some risk factors, for example, restrictions on travel (both in terms of limited available budgets and stricter visa requirements), increased transport costs, and the financial risk of a potential decrease in the number of sponsors and the size of sponsorship.

(3) Global Exhibition Barometer, UFI, January 2017.

(4) Denzil Rankine, Exhibition World 4-2016.

(5) Ibtm Trends Watch Report, 2016; MPI Meetings Outlook, 2017 Winter Edition; CWT Meeting and Events Forecasts, 2016.



# Economic and financial performance for the year ended 31 December 2016

## Economic performance

The Consolidated Income Statement is shown below.

### Consolidated Income Statement

<i>(Amounts in €'000)</i>	2016		2015 restated		2014 restated	
	Value	%	Value	%	Value	%
<b>Revenues from sales and services</b>	<b>221,041</b>	<b>100</b>	<b>335,172</b>	<b>100</b>	<b>240,067</b>	<b>100</b>
Cost of materials	2,281	1.0	4,859	1.4	2,440	1.0
Cost of services	121,423	54.9	164,602	49.1	133,185	55.5
Costs for use of third party assets	49,837	22.5	61,265	18.3	56,463	23.5
Personnel expenses	44,101	20.0	61,023	18.2	48,171	20.1
Other operating expenses	4,222	1.9	5,705	1.7	4,925	2.1
<b>Total operating costs</b>	<b>221,864</b>	<b>100.4</b>	<b>297,454</b>	<b>88.7</b>	<b>245,184</b>	<b>102.1</b>
Other income	3,216	1.5	2,992	0.9	3,522	1.5
Results of equity-accounted companies	1,259	0.6	2,828	0.8	1,448	0.6
<b>Gross operating result</b>	<b>3,652</b>	<b>1.7</b>	<b>43,538</b>	<b>13.0</b>	<b>(147)</b>	<b>-0.1</b>
Depreciation and amortisation	8,398	3.8	12,305	3.7	13,319	5.5
Allowance for doubtful accounts and other provisions	5,477	2.5	8,179	2.4	1,517	0.6
Adjustments to asset values	12,771	5.8	9,657	2.9	3,637	1.5
<b>Net operating result (EBIT)</b>	<b>(22,994)</b>	<b>-10.4</b>	<b>13,397</b>	<b>4.0</b>	<b>(18,620)</b>	<b>-7.8</b>
Financial income/(expenses)	(985)	-0.4	(3,507)	-1.0	(4,849)	-2.0
<b>Profit/(loss) before income tax</b>	<b>(23,979)</b>	<b>-10.8</b>	<b>9,890</b>	<b>3.0</b>	<b>(23,469)</b>	<b>-9.8</b>
Income tax	(5,305)	-2.4	5,987	1.8	(4,716)	-2.0
<b>Profit/(loss) from continuing operations</b>	<b>(18,674)</b>	<b>-8.4</b>	<b>3,903</b>	<b>1.2</b>	<b>(18,753)</b>	<b>-7.8</b>
<b>Profit/(loss) from discontinued operations</b>	<b>(4,176)</b>	<b>-1.9</b>	<b>(3,474)</b>	<b>-1.0</b>	<b>(353)</b>	<b>-0.1</b>
<b>Profit/(loss):</b>	<b>(22,850)</b>	<b>-10.3</b>	<b>429</b>	<b>0.1</b>	<b>(19,106)</b>	<b>-8.0</b>
<b>– attributable to the shareholders of the controlling entity</b>	<b>(22,794)</b>	<b>-10.3</b>	<b>1,014</b>	<b>0.3</b>	<b>(18,955)</b>	<b>-7.9</b>
<b>– attributable to non-controlling interests</b>	<b>(56)</b>	<b>-0.0</b>	<b>(585)</b>	<b>-0.2</b>	<b>(151)</b>	<b>-0.1</b>
<b>Cash flow for the Group and non-controlling interests</b>	<b>3,796</b>	<b>1.7</b>	<b>30,570</b>	<b>9.1</b>	<b>(633)</b>	<b>-0.3</b>

Some of the 2014 and 2015 figures have been restated for comparative purposes to reflect the accounting of the Chinese companies, Worldex and Haikou Worldex, under IFRS 5, following the divestment of the subsidiary Interteks on 27 July 2015, and for the different classification of the use of risk provisions in FY2014.



**Revenues from sales and services** were Euro 221.041 million, a decrease of Euro 114.131 million compared to the figure of Euro 335.172 million in the 2015 financial year. The decrease in revenues mainly reflected the less favourable exhibition calendar which, in the previous financial year, included the biennial directly organised exhibitions Host and Tuttofood, the hosted exhibitions Made Expo and Simei, and the triennial exhibitions Ipack-Ima and Plast, the multi-annual exhibition EMO that is held in Milan every six years, and the itinerant exhibition ITMA. 2015 results also included revenues generated by the contracts linked to Expo 2015. The absence of these events was, in part, compensated by the presence of the biennial exhibitions Mostra Convegno Expocomfort and Bimu.

The **gross operating result** was a loss of Euro 3.652 million compared to Euro 43.538 million in 2015, a decrease of Euro 39.886 million.

The decrease in the gross operating profit mainly reflects the decrease in revenues offset, in part, by lower operating costs. In particular, there was a decrease in the rental cost of the **fieramilano** exhibition site due to the absence of the variable component of the rent that was payable only in 2015 due to the presence of Expo 2015, a fall in personnel costs following the reorganisation implemented at the end of 2015, lower redundancy incentives and lower costs for the variable component of remuneration in the Parent Company.

The **net operating result (EBIT)** was a loss of Euro 22.994 million compared to a net operating profit of Euro 13.397 million in 2015, a decrease of Euro 36.391 million. The decrease reflects the trend in the gross operating profit and higher impairment charges that were, in part, compensated by lower depreciation and amortisation and lower risk provisions. Impairment charges totalled Euro 12.771 million: Euro 2.908 million for the exhibition trademark of the South African subsidiary; Euro 2.449 million for trademarks and goodwill in the subsidiary Cipa; Euro 3.333 million for the BIT and Transpotec & Logitec trademarks of the Parent Company, as well as for the Food & Beverage publication; and Euro 4.081 million for goodwill in the subsidiary Fiera Milano Media SpA. All these businesses suffered downgrades to expected results and to the outlook for growth. In 2015, impairment charges for goodwill and trademarks totalled Euro 9.639 million.

**Net financial expenses** were Euro 0.985 million compared to net expenses of Euro 3.507 million in 2015. The decrease mainly reflected lower financial charges incurred on lower average debt both current and non-current.

The **Profit/(loss) before income tax** was a loss of Euro 23.979 million compared to a pre-tax profit of Euro 9.890 million in 2015.

The **Profit/(loss)** at 31 December 2016 was a loss of Euro 22.850 million compared to a net profit of Euro 0.429 million at 31 December 2015. The result reflects the lower tax charge relating primarily to a positive item from the tax consolidation recognised by Fondazione Fiera Milano for the use of IRES tax losses generated in the financial period under review that offset the IRES tax liability that was included in the tax consolidation. There was also an absence of some taxes payable for the period under review, specifically relating to IRAP, which was due to the deducton of the tax wedge and the residual cost of permanent employees from the amount of IRAP payable.

Further details on taxes are provided in the relevant Explanatory and Supplementary Note to the Accounts.

The net result was **attributable** as follows:

- a loss of Euro 22.794 million to **the shareholders of the controlling entity**;
- a loss of Euro 0.056 million to **non-controlling interests**.



The **net loss from continuing operations** was Euro 18.674 million compared to a net profit of Euro 3.903 million in 2015.

The **net loss from discontinued operations** was Euro 4.176 million, compared to a net loss of Euro 3.474 million in 2015, and was mainly due to the Chinese subsidiaries Worldex and Haikou Worldex.

## Equity and financial performance

The table below shows the Reclassified Consolidated Statement of Financial Position.

### Reclassified Consolidated Statement of Financial Position

<i>(Amounts in €'000)</i>		31.12.2016	31.12.2015	31.12.2014
	Goodwill and intangible assets with an indefinite useful life	94,216	104,945	109,474
	Intangible assets with a finite useful life	17,777	29,408	41,584
	Tangible fixed assets	14,511	14,755	18,438
	Other non-current assets	34,378	33,194	35,234
<b>A</b>	<b>Non-current assets</b>	<b>160,882</b>	<b>182,302</b>	<b>204,730</b>
	Inventory and contracts in progress	5,480	1,884	5,028
	Trade and other receivables	52,227	63,932	50,604
	Other assets	-	-	-
<b>B</b>	<b>Current assets</b>	<b>57,707</b>	<b>65,816</b>	<b>55,632</b>
	Trade payables	41,114	49,267	36,160
	Advances	40,239	34,880	39,641
	Tax liabilities	1,605	5,168	2,091
	Provisions for risks and charges and other current liabilities	21,276	41,385	21,875
<b>C</b>	<b>Current liabilities</b>	<b>104,234</b>	<b>130,700</b>	<b>99,767</b>
<b>D</b>	<b>Net working capital (B - C)</b>	<b>(46,527)</b>	<b>(64,884)</b>	<b>(44,135)</b>
<b>E</b>	<b>Gross capital employed (A + D)</b>	<b>114,355</b>	<b>117,418</b>	<b>160,595</b>
	Employee benefit provisions	9,302	10,672	10,286
	Provisions for risks and charges and other non-current liabilities	7,107	9,052	8,954
<b>F</b>	<b>Non-current liabilities</b>	<b>16,409</b>	<b>19,724</b>	<b>19,240</b>
<b>G</b>	<b>NET CAPITAL EMPLOYED continuing operations (E - F)</b>	<b>97,946</b>	<b>97,694</b>	<b>141,355</b>
<b>H</b>	<b>NET CAPITAL EMPLOYED assets held for sale</b>	<b>2,049</b>	-	-
	<b>TOTAL NET CAPITAL EMPLOYED (G + H)</b>	<b>99,995</b>	<b>97,694</b>	<b>141,355</b>
	covered by:			
	Equity attributable to the Group	61,006	84,572	17,034
	Equity attributable to non-controlling interests	673	696	2,654
<b>I</b>	<b>Total equity</b>	<b>61,679</b>	<b>85,268</b>	<b>19,688</b>
	Cash & cash equivalents	(20,904)	(56,092)	(12,276)
	Current financial (assets)/liabilities	46,284	55,502	105,044
	Non-current financial (assets)/liabilities	14,150	13,016	28,899
	<b>Net financial position continuing operations</b>	<b>39,530</b>	<b>12,426</b>	<b>121,667</b>
	<b>Net financial position assets held for sale</b>	<b>(1,214)</b>	-	-
<b>L</b>	<b>Net financial position (TOTAL)</b>	<b>38,316</b>	<b>12,426</b>	<b>121,667</b>
	<b>EQUITY AND NET FINANCIAL POSITION (I + L)</b>	<b>99,995</b>	<b>97,694</b>	<b>141,355</b>



The entries in the Restated Consolidated Statement of Financial Position correspond to those in the Consolidated Statement of Financial Position.

**Net capital employed** totalled Euro 99.995 million at 31 December 2016, an increase of Euro 2.301 million compared to the figure at 31 December 2015.

**Non-current assets** were Euro 160.882 million at 31 December 2016 compared to Euro 182.302 million at 31 December 2015. The decrease was mainly due to the transfer of the business division of the Ipack-Ima exhibition to the joint venture Ipack Ima Srl, now valued according to the equity method; to the decrease caused by the classification of the Chinese subsidiaries in assets held for sale; and by impairment charges taken for goodwill and exhibition trademarks.

**Net working capital**, the balance of current assets and current liabilities, went from a negative figure of Euro 64.884 million at 31 December 2015 to a negative figure of Euro 46.527 million at 31 December 2016. The increase mainly reflects a decrease in payables to suppliers and payables to exhibition organisers caused by the different exhibition calendar; this was, in part, offset by a decrease in trade receivables and an increase in advances for future exhibitions. Fiera Milano Group has structural negative net working capital due to the favourable cash management cycle of exhibitions, where payment of part of the attendance fee is made in advance by clients. Furthermore, Fiera Milano SpA also manages these activities on behalf of third-party organisers and, in this way, generates positive cash flows also from the rent of exhibition space.

The Group had **net debt** of Euro 38.316 million at 31 December 2016 compared to net debt of Euro 12.426 million at 31 December 2015. The increase in net debt was mainly attributable to the decrease in cash flows from operations due to net working capital. This was caused by the payment of sums due to some exhibition organisers and also by the different exhibition calendar.

Details of the net financial position are given in the Explanatory and Supplementary Notes to the Consolidated Financial Statements.





The following table shows the reconciliation of **Equity** between the Parent Company Financial Statements and the Consolidated Financial Statements:

### Statement of reconciliation between Fiera Milano SpA and the Consolidated Financial Statements

(€'000)	Full year 2016		Full year 2015	
	Equity	Profit/(loss)	Equity	Profit/(loss)
<b>PARENT COMPANY EQUITY AND PROFIT/(LOSS)</b>	<b>60,488</b>	<b>(25,160)</b>	<b>86,329</b>	<b>(1,456)</b>
Equity and profit/(loss) of consolidated companies	45,651	(4,706)	46,390	(4,492)
Intragroup dividends	-	(3,094)	-	(2,145)
Elimination of carrying value of consolidated investments	(110,238)	-	(102,651)	-
Goodwill arising from acquisitions	12,270	(6,103)	21,700	(8,370)
Write-down of investments, net of tax effect	49,027	16,436	32,592	15,465
Elimination of write-downs of intergroup loans and financing	3,777	2,159	850	1,438
Elimination of intragroup margins	704	(2,382)	3	(11)
Minor consolidation adjustments, net of tax effect	-	-	55	-
<b>TOTAL EQUITY</b>	<b>61,679</b>	<b>(22,850)</b>	<b>85,268</b>	<b>429</b>
<i>of which attributable to non-controlling interests</i>	<i>673</i>	<i>(56)</i>	<i>696</i>	<i>(585)</i>
<b>GROUP EQUITY AND PROFIT/(LOSS)</b>	<b>61,006</b>	<b>(22,794)</b>	<b>84,572</b>	<b>1,014</b>

## Investments

In the financial year to 31 December 2016, investments totalled Euro 7.387 million and the breakdown was as follows:

(€'000)	Full year to 31.12.2016	Full year to 31.12.2015	Full year to 31.12.2014
Intangible fixed assets	3,151	4,292	1,781
Tangible fixed assets	4,236	3,525	6,734
<b>Total investments in non-current assets</b>	<b>7,387</b>	<b>7,817</b>	<b>8,515</b>

**Investments in intangible fixed assets** totalled Euro 3.151 million and were mainly for the acquisition of two new exhibition trademarks, Promotion Trade Exhibition (PTE) for Euro 1.400 million and NF Travel & Technology Event for Euro 0.500 million, and investments of Euro 1.058 million made by the Parent Company for digital projects.

**Investments in tangible fixed assets** totalled Euro 4.236 million and were mainly:

- Euro 2.178 million of acquisitions of furniture and goods to be hired out at exhibitions;
- Euro 1.794 million for plant and machinery, electronic machinery, and improvements made to the Rho exhibition site and the North Wing of the MiCo Congress Centre.

Further details on investments are given in the Explanatory and Supplementary Notes to the Consolidated Financial Statements.



# Business performance by operating segment and by geographic area

The key Group figures by operating segment and by geographic area are given in the following table.

## Summary of data by operating segment and by geographic area

(Amounts in €'000)	2016		2015	
	Value	%	Value	%
<b>Revenues from sales and services</b>				
<b>- By operating segment:</b>				
- Italian Exhibitions	173,421	66.6	277,310	70.9
- Foreign Exhibitions	6,830	2.7	6,945	1.9
- Stand-fitting Services	38,295	14.7	55,890	14.3
- Media	11,051	4.2	13,376	3.3
- Congresses	30,672	11.8	37,446	9.6
<b>Total revenues gross of adjustments for inter-segment transactions</b>	<b>260,269</b>	<b>100.0</b>	<b>390,967</b>	<b>100.0</b>
- Adjustments for inter-segment transactions	(39,228)		(55,795)	
<b>Total revenues net of adjustments for inter-segment transactions</b>	<b>221,041</b>		<b>335,172</b>	
<b>- By geographic area:</b>				
- Italy	214,239	96.9	328,611	98.0
- Foreign countries	6,802	3.1	6,561	2.0
<b>Total</b>	<b>221,041</b>	<b>100.0</b>	<b>335,172</b>	<b>100.0</b>
<b>Gross operating result</b>				
<b>- By operating segment:</b>		<b>on revenues</b>		<b>on revenues</b>
- Italian Exhibitions	(3,092)	-1.8	31,931	11.5
- Foreign Exhibitions	1,781	26.1	(1,236)	-17.8
- Stand-fitting Services	3,033	7.9	7,197	12.9
- Media	376	3.4	821	6.1
- Congresses	2,274	7.4	4,626	12.4
- Adjustments for inter-segment transactions	(720)		199	
<b>Total</b>	<b>3,652</b>	<b>1.7</b>	<b>43,538</b>	<b>13.0</b>
<b>- By geographic area:</b>				
- Italy	2,523	1.2	45,133	13.7
- Foreign countries	1,129	16.6	(1,595)	-24.3
<b>Total</b>	<b>3,652</b>	<b>1.7</b>	<b>43,538</b>	<b>13.0</b>
<b>Net operating result (EBIT)</b>				
<b>- By operating segment:</b>		<b>on revenues</b>		<b>on revenues</b>
- Italian Exhibitions	(15,234)	-8.8	18,204	6.6
- Foreign Exhibitions	(4,507)	-66.0	(9,809)	-141.2
- Stand-fitting Services	493	1.3	5,221	9.3
- Media	(4,103)	-37.1	(2,138)	-16.0
- Congresses	1,133	3.7	1,764	4.7
- Adjustments for inter-segment transactions	(776)		155	
<b>Total</b>	<b>(22,994)</b>	<b>-10.4</b>	<b>13,397</b>	<b>4.0</b>
<b>- By geographic area:</b>				
- Italy	(17,779)	-8.3	23,609	7.2
- Foreign countries	(5,215)	-76.7	(10,212)	-155.6
<b>Total</b>	<b>(22,994)</b>	<b>-10.4</b>	<b>13,397</b>	<b>4.0</b>
<b>Employees</b>				
(no. of permanent employees at the end of the period)				
<b>- By operating segment:</b>				
- Italian Exhibitions	416	57.4	448	57.2
- Foreign Exhibitions	141	19.4	154	19.7
- Stand-fitting Services	57	7.9	54	6.9
- Media	63	8.7	90	11.5
- Congresses	48	6.6	37	4.7
<b>Total</b>	<b>725</b>	<b>100.0</b>	<b>783</b>	<b>100.0</b>
<b>- By geographic area:</b>				
- Italy	584	80.6	629	80.3
- Foreign countries	141	19.4	154	19.7
<b>Total</b>	<b>725</b>	<b>100.0</b>	<b>783</b>	<b>100.0</b>

Some of 2015 figures have been restated for comparative purposes to reflect the accounting of the Chinese companies, Worldex and Haikou Worldex, under IFRS 5.



The activities of the Fiera Milano Group are grouped into five operating segments: **Italian Exhibitions**, **Foreign Exhibitions**, **Stand-fitting Services**, **Media** and **Congresses**.

**Revenues from sales and services**, before adjustments for inter-segment transactions, were Euro 260.269 million in the year to 31 December 2016, of which 66% was generated by Italian Exhibitions, 3% by Foreign Exhibitions, 15% by Stand-fitting Services, 4% by the Media segment and 12% by the Congress segment.

- Revenues from **Italian Exhibitions** were Euro 173.421 million, a decrease of Euro 103.889 million compared to the figure of Euro 277.310 million in the previous financial year. The decrease mainly reflected the less favourable exhibition calendar that in the previous financial year included the directly organised biennial exhibitions Host and Tuttofood, the hosted exhibitions Made Expo and Simei, the triennial exhibitions Ipack-Ima and Plast, the multi-annual exhibitions EMO and ITMA, as well as the revenues from the contracts linked to Expo 2015. This was in part compensated by the presence of the biennial exhibitions Mostra Convegno Expocomfort and Bimu held in the period under review.
- Revenues from **Foreign Exhibitions** were Euro 6.830 million and were in line with the segment revenues of the previous financial year (Euro 6.945 million).
- Revenues from **Stand-fitting Services** were Euro 38.295 million, a decrease of Euro 17.595 million compared to the previous financial year (Euro 55.890 million). The decrease reflects the absence of the contracts linked to Expo 2015 that were present in 2015 and also the generally less favourable exhibition calendar compared to 2015 when it included the biennial exhibitions Host, Tuttofood and Made Expo held in uneven-numbered years and the multi-annual exhibitions Ipack-Ima, EMO and ITMA. This was partly compensated by the presence of the biennial exhibition held in even-numbered years, Mostra Convegno Expocomfort.
- Revenues from **Media** were Euro 11.051 million, approximately 17% lower than in the previous financial year (Euro 13.376 million). The decrease is attributable to lower revenues from sponsorship, print advertising, and from digital services.
- Revenues from **Congresses** were Euro 30.672 million and fell Euro 6.774 million compared to the figure of the previous financial year (Euro 37.446 million). The decrease primarily reflects the absence of the revenues generated from the management of the Expo 2015 Congress Centre and Auditorium.

The **gross operating profit** was Euro 3.652 million, a decrease of Euro 39.886 million compared to the previous financial year; the breakdown by operating segment was as follows:

- **Italian Exhibitions** had a gross operating loss of Euro 3.092 million compared to a gross operating profit of Euro 31.931 million in the financial year to 31 December 2015. The decrease reflected the aforementioned fall in exhibition space occupied in the financial year under review. This was partly compensated by the absence of the variable component of rent payable only in 2015 because of the presence of Expo 2015 and by a decrease in personnel costs from the reorganisation that started at the end of 2015, lower redundancy incentives and lower costs for the variable component of remuneration paid by the Parent Company.
- **Foreign Exhibitions** had a gross operating profit of Euro 1.781 million compared to a gross operating loss of Euro 1.236 million in the financial year to 31 December 2015. This increase was due to lower operating costs following the restructuring implemented in Brazil in the previous financial year.
- **Stand-fitting Services** had a gross operating profit of Euro 3.033 million, a decrease of Euro 4.164 million compared to the preceding financial year (Euro 7.197 million). This decrease mirrored the decline in revenues.
- **Media** had a gross operating profit of Euro 0.376 million, a decrease of Euro 0.445 million compared to the preceding financial year (Euro 0.821 million). The decrease was mainly due to the fall in revenues described above but was, in part, compensated by lower personnel costs following the corporate reorganisation that began in December 2015.



- **Congresses** had gross operating profit of Euro 2.274 million compared to Euro 4.626 million in the financial year to 31 December 2015, a decrease of Euro 2.352 million. The decrease was mainly due to the fall in revenues described above but was, in part, compensated by lower personnel costs and by an increase in other income from insurance claims.

The total **net operating loss** was Euro 22.994 million compared to a net operating profit of Euro 13.397 million in the 2015 financial year, and the breakdown was as follows:

- **Italian Exhibitions** had a net operating loss of Euro 15.234 million compared to a net operating profit of Euro 18.204 million at 31 December 2015. The Euro 33.438 million decrease reflected the deterioration in the gross operating profit and higher impairment charges. This was, in part, offset by lower depreciation and amortisation as certain Group assets became fully depreciated. The impairment charges were mainly Euro 2.977 million for the BIT trademark and Euro 0.356 million for the Transpotec & Logitec trademark.
- **Foreign Exhibitions** had a net operating loss of Euro 4.507 million compared to a net operating loss of Euro 9.809 million in the 2015 financial year. The lower loss reflected the improvement in the gross operating profit and lower impairment charges than in the previous financial year. The impairment charges in the period under review were Euro 2.908 million for the exhibition trademark of the South African subsidiary and Euro 2.449 million for trademarks and goodwill in Cipa.
- **Stand-fitting Services** had a net operating profit of Euro 0.493 million, a Euro 4.728 million decrease compared to the figure for the previous financial year (Euro 5.221 million). The decrease reflects the fall in the gross operating profit and higher risk provisions for disputes with employees linked to an estimate of the probable liability resulting from the events that gave rise to the administration order.
- **Media** had a net operating loss of Euro 4.103 million, a deterioration of Euro 1.965 million compared to the figure for the previous financial year (a net operating loss of Euro 2.138 million). This was attributable to the impairment charges of Euro 4.081 million taken for the Food & Beverage publication and for goodwill.
- **Congresses** had net operating profit of Euro 1.133 million compared to Euro 1.764 million in the financial year to 31 December 2015. The decrease reflected the decrease in the gross operating profit that was, in part, compensated by lower depreciation due to the extension of the useful life of certain assets of MiCo Nord following the renewal of the rental contract with Fondazione Fiera Milano which expires on 30 June 2023.

The 725 Group **employees** at the end of the 2016 financial year were divided among the five operating segments as follows: 57% in Italian Exhibitions, 19% in Foreign Exhibitions, 8% in Stand-fitting Services, 9% in Media and 7% in Congresses.



The key figures of the companies in the Foreign Exhibitions segment are given in the table below.

### Summary data for companies in the Foreign Exhibitions segment

<i>(Amounts in €'000)</i>	2016		2015	
	Value	%	Value	%
<b>Revenues from sales and services</b>				
<b>– by company:</b>				
– Cipa FM Publicações e Eventos Ltda	5,670	83.0	5,166	74.4
– Hannover Milano Global Germany GmbH	-	-	-	-
– Fiera Milano Exhibitions Africa (PTY) Ltd	1,131	16.6	1,465	21.1
– Fiera Milano India Pvt Ltd	-	-	-	-
– Limited Liability Company Fiera Milano	29	0.4	314	4.5
– Eurofairs International Consultoria e Participações Ltda	-	-	-	-
<b>Total gross of adjustments</b>	<b>6,830</b>	<b>100</b>	<b>6,945</b>	<b>100</b>
<b>Gross operating result</b>				
<b>– by company:</b>				
– Cipa FM Publicações e Eventos Ltda	308	17.3	(2,973)	240.5
– Hannover Milano Global Germany GmbH	2,289	128.5	2,837	-229.5
– Fiera Milano Exhibitions Africa (PTY) Ltd	(1,159)	-65.0	(762)	61.7
– Fiera Milano India Pvt Ltd	(14)	-0.8	(50)	4.0
– Limited Liability Company Fiera Milano	487	27.3	(121)	9.8
– Eurofairs International Consultoria e Participações Ltda	(130)	-7.3	(167)	13.5
<b>Total</b>	<b>1,781</b>	<b>100</b>	<b>(1,236)</b>	<b>100</b>
<b>Net operating result (EBIT)</b>				
<b>– by company:</b>				
– Cipa FM Publicações e Eventos Ltda	(2,806)	62.3	(9,400)	95.9
– Hannover Milano Global Germany GmbH	2,289	-50.8	2,837	-28.9
– Fiera Milano Exhibitions Africa (PTY) Ltd	(4,333)	96.1	(2,908)	29.6
– Fiera Milano India Pvt Ltd	(14)	0.3	(50)	0.5
– Limited Liability Company Fiera Milano	487	-10.8	(121)	1.2
– Eurofairs International Consultoria e Participações Ltda	(130)	2.9	(167)	1.7
<b>Total</b>	<b>(4,507)</b>	<b>100</b>	<b>(9,809)</b>	<b>100</b>

Some of 2015 figures have been restated for comparative purposes to reflect the accounting of the Chinese companies, Worldex and Haikou Worldex, under IFRS 5.



## Operating figures

The tables on the following pages give the figures for events held at the **fieramilano** and **fieramilanocity** venues and those held abroad in the financial year to 31 December 2016 with comparative figures for the previous two financial years. The tables give the net square metres of exhibition space occupied and the number of participating exhibitors. The events are classified according to how frequently they are held – annual, biennial or multi-annual – and figures for exhibitions directly organised by the Group are also given for each of the periods (the figures have been rounded up to make them easier to read and compare).

### Fiera Milano Group Summary operating figures

	Full year to 31.12.2016		Full year to 31.12.2015		Full year to 31.12.2014	
	Total	of which Organised by the Group	Total	of which Organised by the Group	Total	of which Organised by the Group
<b>Number of exhibitions:</b>	<b>81</b>	<b>43</b>	<b>114</b>	<b>64</b>	<b>113</b>	<b>73</b>
<b>Italy</b>	<b>46</b>	<b>8</b>	<b>63</b>	<b>13</b>	<b>51</b>	<b>11</b>
– annual	39	8	40	9	41	9
– biennial	7	–	15	4	9	1
– multi-annual	–	–	8	–	1	1
<b>Foreign countries</b>	<b>35</b>	<b>35</b>	<b>51</b>	<b>51</b>	<b>62</b>	<b>62</b>
– annual	32	32	45	45	59	59
– biennial	3	3	6	6	3	3
– multi-annual	–	–	–	–	–	–
<b>Number of congresses with related exhibition space – Italy</b>	<b>39</b>	<b>–</b>	<b>36</b>	<b>–</b>	<b>37</b>	<b>–</b>
<b>Net sq.metres of exhibition space:</b>	<b>1,653,300</b>	<b>543,355</b>	<b>2,223,920</b>	<b>863,695</b>	<b>1,634,425</b>	<b>623,275</b>
<b>Italy</b>	<b>1,285,600</b>	<b>175,655</b>	<b>1,822,875</b>	<b>462,650</b>	<b>1,220,125</b>	<b>208,975</b>
– annual (a)	1,031,455	175,655	988,335	187,255	928,255	178,165
– biennial	254,145	–	455,250	275,395	275,390	14,330
– multi-annual	–	–	379,290	–	16,480	16,480
(a) of which congresses with related exhibition space	50,770	–	49,075	–	33,745	–
<b>Foreign countries</b>	<b>367,700</b>	<b>367,700</b>	<b>401,045</b>	<b>401,045</b>	<b>414,300</b>	<b>414,300</b>
– annual	336,970	336,970	376,220	376,220	375,685	375,685
– biennial	30,730	30,730	24,825	24,825	38,615	38,615
– multi-annual	–	–	–	–	–	–
<b>Number of exhibitors:</b>	<b>31,830</b>	<b>11,635</b>	<b>42,640</b>	<b>17,830</b>	<b>32,790</b>	<b>14,275</b>
<b>Italy</b>	<b>23,800</b>	<b>3,605</b>	<b>32,340</b>	<b>7,530</b>	<b>22,430</b>	<b>3,915</b>
– annual (b)	20,680	3,605	20,280	3,780	18,625	3,365
– biennial	3,120	–	6,475	3,750	3,565	310
– multi-annual	–	–	5,585	–	240	240
(b) of which congresses with related exhibition space	2,825	–	2,460	–	2,195	–
<b>Foreign countries</b>	<b>8,030</b>	<b>8,030</b>	<b>10,300</b>	<b>10,300</b>	<b>10,360</b>	<b>10,360</b>
– annual	7,480	7,480	9,680	9,680	9,615	9,615
– biennial	550	550	620	620	745	745
– multi-annual	–	–	–	–	–	–



The table shows that in the 2016 financial year the percentage of total net square metres of exhibition space covered by annual exhibitions was approximately 83%. Annual exhibitions covered 1,368,425 net square metres of exhibition space, in line with the figure for the 2015 financial year. The most significant change compared to 2015 was the hosted annual exhibitions in Italy (+53,025 square metres, approximately 7%). Biennial exhibitions covered 284,875 net square metres of exhibition space, a year-on-year decrease of ca. 41%. There was a decrease of 275,395 square metres in directly organised biennial exhibitions in Italy, which mainly reflected the absence of Tuttofood and Host that was, in part, compensated by the 74,290 square metres increase in space occupied by hosted biennial exhibitions mainly due to the presence of Mostra Convegno Expocomfort. There was also a decrease of 379,290 square metres in space occupied by multi-annual exhibitions. There was a year-on-year decrease of 8% or 33,345 net square metres in the space occupied by exhibitions held abroad mainly due to the effect of the sale of the business in Turkey, the cancellation of some exhibitions and the different exhibition timetable in China.



The tables below give comparative figures for the last three financial years for the portfolio of events hosted by the Group in the **fieramilano** and **fieramilanocity** sites with an indication of the net square metres of exhibition space occupied and the number of exhibitors classified by how frequently the events are held, and indicating those exhibitions that were directly organised (*the figures have been rounded up to make them easier to read and compare*).

## Italian exhibition portfolio

Exhibitions	Net sq. metres of exhibition space			Number of exhibitors		
	Full year to 31.12.2016	Full year to 31.12.2015	Full year to 31.12.2014	Full year to 31.12.2016	Full year to 31.12.2015	Full year to 31.12.2014
<b>ANNUAL</b>						
<b>Directly organised</b>						
– Bit	13,505	15,335	13,750	380	405	280
– Chibimart Summer	4,445	4,020	3,310	165	125	105
– Chibimart Winter	3,080	3,110	2,820	105	95	95
– HOMI I semester	77,785	81,200	82,210	1,285	1,305	1,275
– HOMI II semester	58,310	63,845	57,840	1,220	1,265	1,055
– Miant	7,810	6,840	6,360	185	190	155
– Milano Pret a Porter Spring	2,235	2,775	2,125	105	130	105
– Spositalia	8,485	7,550	7,145	160	145	145
– Milano Pret a Porter Autumn	a)	2,580	2,605	a)	120	150
<b>Total annual exhibitions directly organised</b>	<b>175,655</b>	<b>187,255</b>	<b>178,165</b>	<b>3,605</b>	<b>3,780</b>	<b>3,365</b>
<b>Hosted</b>						
– Artigiano in fiera	55,790	63,440	59,100	1,230	1,875	1,640
– Cartoomics	8,310	9,855	8,000	310	190	225
– Eicma Moto	91,950	90,090	86,435	520	615	455
– Esposizione Internazionale Canina	15,000	a)	15,000	50	a)	45
– Fa la cosa giusta	9,350	7,845	8,500	695	630	600
– GI come giocare	6,410	6,825	5,965	85	90	80
– Hobby Show (I semester)	1,815	3,425	5,000	90	115	110
– Hobby Show (II semester)	2,275	2,885	5,000	100	110	160
– Lineapelle February	43,710	41,640	–	1,155	945	–
– Lineapelle September	46,875	43,445	41,665	1,240	1,170	1,125
– Mido	46,260	43,645	40,700	1,075	990	910
– Mifur	12,080	13,350	16,885	150	170	190
– Milan Games Week	10,180	5,295	4,430	100	55	20
– Milano Auto Classica	20,965	16,440	12,545	290	245	215
– Milano Auto Classica – Winter Edition <sup>1)</sup>	26,310	–	–	330	–	–
– Milano Unica (Autumn)	25,540	19,200	18,915	485	410	420
– Milano Unica (Spring)	18,165	18,020	18,390	390	380	400
– Mipel (Autumn)	8,065	8,390	10,640	235	235	290
– Mipel (Spring)	8,305	10,060	12,120	250	285	355
– Myplant & garden	13,855	9,330	–	345	285	–
– Prima MU	3,710	2,385	–	130	55	–
– Promotion trade exhibition	4,515	4,235	4,095	140	130	125
– Salone del Franchising Milano	3,835	3,995	4,035	125	125	145
– Salone del mobile/Complemento d'arredo	161,955	162,990	164,620	1,180	1,175	1,240
– Simac Tanning-Tech	14,900	15,200	–	220	275	–
– Smau	4,715	4,045	3,290	10	15	15
– Super Spring <sup>1)</sup>	1,275	1,600	–	150	180	–
– Technology Hub (ex 3D Print Hub)	3,250	2,500	–	155	80	–
– The Micam (Autumn)	63,360	64,350	68,080	1,385	1,380	1,480
– The Micam (Spring)	63,425	67,075	67,910	1,425	1,425	1,490
– Viscom – Visual communication	8,880	7,800	6,605	205	175	185
– Expo Italia real estate	a)	a)	5,580	a)	a)	140
– Expodental	a)	a)	3,465	a)	a)	150
– Expotraining	a)	1,290	1,405	a)	75	80
– Kali	a)	a)	4,015	a)	a)	210
– Promotion Expo	a)	a)	3,195	a)	a)	140
– Smap Expo	a)	a)	1,300	a)	a)	25
– Super Autumn <sup>1)</sup>	a)	1,360	1,660	a)	155	200
– The innovation cloud	a)	a)	7,800	a)	a)	200
<b>Total annual exhibitions directly organised</b>	<b>805,030</b>	<b>752,005</b>	<b>716,345</b>	<b>14,250</b>	<b>14,040</b>	<b>13,065</b>
<b>Total annual exhibitions</b>	<b>980,685</b>	<b>939,260</b>	<b>894,510</b>	<b>17,855</b>	<b>17,820</b>	<b>16,430</b>

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Exhibitions	Net sq. metres of exhibition space			Number of exhibitors		
	Full year to 31.12.2016	Full year to 31.12.2015	Full year to 31.12.2014	Full year to 31.12.2016	Full year to 31.12.2015	Full year to 31.12.2014
<b>BIENNIAL</b>						
<b>Directly organised</b>						
- Host	-	132,580	-	-	1,890	-
- Sicurezza <sup>(*)</sup>	-	14,455	14,330	-	305	310
- Transpotec & Logitec <sup>(*)</sup>	-	53,475	-	-	210	-
- Tuttofood	-	74,885	-	-	1,345	-
<b>Total biennial exhibitions directly organised</b>	<b>-</b>	<b>275,395</b>	<b>14,330</b>	<b>-</b>	<b>3,750</b>	<b>310</b>
<b>Hosted</b>						
- Bimu	37,395	-	37,140	560	-	555
- Eurocucina	35,260	-	35,740	110	-	120
- Mostra Convegno Expocomfort	118,395	-	125,265	1,540	-	1,540
- Salone Internazionale del Bagno	19,390	-	18,190	175	-	160
- Sfortec	725	-	630	40	-	40
- Venditalia <sup>(*)</sup>	13,740	4,600	11,990	255	130	235
- Xylexpo	29,240	-	26,175	440	-	435
- Chem Med	-	1,130	-	-	50	-
- Enovitis	-	575	-	-	25	-
- Euroluce	-	38,765	-	-	395	-
- Farmacistapiù	-	2,790	-	-	40	-
- Fruit Innovation	-	5,945	-	-	150	-
- Made Expo	-	57,005	-	-	910	-
- Made in Steel	-	12,260	-	-	230	-
- Salone Ufficio	-	12,505	-	-	120	-
- Simej	-	29,565	-	-	490	-
- Vitrum	-	14,715	-	-	185	-
- TPA Italia <sup>(*)</sup>	a)	-	5,930	a)	-	170
<b>Total biennial exhibitions hosted</b>	<b>254,145</b>	<b>179,855</b>	<b>261,060</b>	<b>3,120</b>	<b>2,725</b>	<b>3,255</b>
<b>Total biennial exhibitions</b>	<b>254,145</b>	<b>455,250</b>	<b>275,390</b>	<b>3,120</b>	<b>6,475</b>	<b>3,565</b>
<b>MULTI-ANNUAL</b>						
<b>Directly organised</b>						
- Expodetergo <sup>(*)</sup>	-	-	16,480	-	-	240
<b>Total multi-annual Exhibitions directly organised</b>	<b>-</b>	<b>-</b>	<b>16,480</b>	<b>-</b>	<b>-</b>	<b>240</b>
<b>Hosted</b>						
- Converflex	-	4,790	-	-	110	-
- EMO	-	116,995	-	-	1,540	-
- Intralogistica	-	2,815	-	-	75	-
- Ipack-Ima	-	52,270	-	-	855	-
- ITMA	-	109,570	-	-	1,690	-
- Meat Tech	-	6,930	-	-	95	-
- Plast	-	54,615	-	-	1,080	-
- World Dog Show	-	31,305	-	-	140	-
<b>Total multi-annual exhibitions hosted</b>	<b>-</b>	<b>379,290</b>	<b>-</b>	<b>-</b>	<b>5,585</b>	<b>-</b>
<b>Total multi-annual exhibitions</b>	<b>-</b>	<b>379,290</b>	<b>16,480</b>	<b>-</b>	<b>5,585</b>	<b>240</b>
<b>TOTAL EXHIBITIONS</b>	<b>1,234,830</b>	<b>1,773,800</b>	<b>1,186,380</b>	<b>20,975</b>	<b>29,880</b>	<b>20,235</b>
- Congresses with related exhibition space	50,770	49,075	33,745	2,825	2,460	2,195
<b>TOTAL</b>	<b>1,285,600</b>	<b>1,822,875</b>	<b>1,220,125</b>	<b>23,800</b>	<b>32,340</b>	<b>22,430</b>

(\*) The exhibition was held for the first time at Fiera Milano exhibition sites.

(\*\*) The exhibition was held at Veronafiere exhibition site.

(°) The exhibition is co-organised with Fiera Milano.

(°°) In 2015 an extraordinary edition of the exhibition was held.

a) The exhibition did not take place.



The table below gives details of the exhibitions organised abroad. The net exhibition space utilised was 367,700 net square metres (*the figures for square metres of net exhibition space have been rounded up to make them easier to read and compare*).

## Foreign Exhibition portfolio

Exhibitions	Net sq. metres of exhibition space			Number of exhibitors		
	Full year to 31.12.2016	Full year to 31.12.2015	Full year to 31.12.2014	Full year to 31.12.2016	Full year to 31.12.2015	Full year to 31.12.2014
<b>ANNUAL</b>						
<b>Exhibitions directly organised in China</b>						
- CeMAT Asia Shanghai	19,725	17,910	15,355	500	500	470
- Chinafloor Domotex Shanghai	65,375	63,985	60,210	1,305	1,260	1,050
- China Tourism International and Commodities Fair	13,580	11,335	-	280	205	-
- Comvac Asia	5,445	5,745	5,475	145	130	150
- Food Hospitality World Guangzhou	2,300	3,140	4,000	240	345	380
- Fruit& Forest Xinjiang	2,500	2,500	2,500	250	195	210
- GIFT International Tour Guangzhou	7,875	5,180	4,715	195	215	210
- Industrial Automation Beijing/FAPA	3,235	3,520	3,865	185	205	190
- Industrial Automation Shanghai	39,205	34,925	23,025	500	500	605
- Industrial Automation Shenzhen	8,020	7,985	8,035	390	400	420
- Industrial Supply Asia	315	425	340	25	45	30
- Metalworking and CNC Mach. Tool Shanghai	27,085	24,025	22,900	550	550	445
- Motor Show Chengdu	76,600	77,160	76,665	90	95	95
- PTC Asia Shanghai	26,395	42,035	31,930	1,075	1,600	1,210
- China Commercial Vehicle Show	a)	5,290	-	a)	130	-
- Heavy Machinery Asia	a)	1,120	1,595	a)	80	85
- M3 Fair Hainan	a)	2,500	7,500	a)	115	155
- The Micam Shanghai 1° semester	a)	2,900	2,940	a)	150	155
- Energy Shanghai	a)	a)	4,855	a)	a)	150
- The Micam Shanghai 2° semester	a)	a)	2,600	a)	a)	125
- Wuhan Motor Show	a)	a)	4,410	a)	a)	10
<b>Total Exhibitions directly organised in China</b>	<b>297,655</b>	<b>311,680</b>	<b>282,915</b>	<b>5,730</b>	<b>6,720</b>	<b>6,145</b>
<b>Exhibitions directly organised in India</b>						
- CeBIT India	2,200	2,565	5,200	90	265	350
- CeMAT India	1,295	1,445	1,935	60	110	75
- Food Hospitality World Bangalore	1,885	2,400	1,950	110	120	70
- Food Hospitality World Goa	1,200	1,500	-	75	90	-
- Food Hospitality World Mumbai	2,840	3,195	2,390	180	175	155
- Industrial Automation India	785	1,865	1,405	35	100	60
- MDA India	895	1,110	1,445	40	75	50
- The China Products Show India	3,080	3,500	3,250	160	190	170
- Surface Technology	a)	200	375	a)	30	30
- Industrial Supply India	a)	a)	1,100	a)	a)	80
- Plugged-In India	a)	a)	1,500	a)	a)	45
<b>Total Exhibitions directly organised in India</b>	<b>14,180</b>	<b>17,780</b>	<b>20,550</b>	<b>750</b>	<b>1,155</b>	<b>1,085</b>
<b>Exhibitions directly organised in Russia</b>						
- HOMI Russia	a)	1,700	2,600	a)	90	95
<b>Total Exhibitions directly organised in Russia</b>	<b>-</b>	<b>1,700</b>	<b>2,600</b>	<b>-</b>	<b>90</b>	<b>95</b>
<b>Exhibitions directly organised in South Africa</b>						
- Capetown Art Fair	2,030	1,100	850	50	40	45
- Good Food & Wine Show Capetown	2,860	2,855	3,250	165	205	195
- Good Food & Wine Show Durban	3,490	3,330	2,700	115	130	145
- Good Food & Wine Show Gauteng	3,490	3,360	3,300	165	200	180
- Food Hospitality World Capetown	a)	950	1,325	a)	70	85
<b>Total Exhibitions directly organised in South Africa</b>	<b>11,870</b>	<b>11,595</b>	<b>11,425</b>	<b>495</b>	<b>645</b>	<b>650</b>
<b>Exhibitions directly organised in Thailand</b>						
- The China Products Show Bangkok	1,360	2,500	2,500	110	195	95
<b>Total Exhibitions directly organised in Thailand</b>	<b>1,360</b>	<b>2,500</b>	<b>2,500</b>	<b>110</b>	<b>195</b>	<b>95</b>
<b>Exhibitions directly organised in Sri Lanka</b>						
- The China Products Show Colombo, Sri Lanka	1,000	1,800	-	120	30	-
<b>Total Exhibitions directly organised in Sri Lanka</b>	<b>1,000</b>	<b>1,800</b>	<b>-</b>	<b>120</b>	<b>30</b>	<b>-</b>

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Exhibitions	Net sq. metres of exhibition space			Number of exhibitors		
	Full year to 31.12.2016	Full year to 31.12.2015	Full year to 31.12.2014	Full year to 31.12.2016	Full year to 31.12.2015	Full year to 31.12.2014
<b>ANNUAL</b>						
<b>Exhibitions directly organised in USA</b>						
- Homi New York	505	800	-	30	50	-
<b>Total Exhibitions directly organised in USA</b>	<b>505</b>	<b>800</b>	<b>-</b>	<b>30</b>	<b>50</b>	<b>-</b>
<b>Exhibitions directly organised in Brazil</b>						
- Enersolar	860	1,505	995	45	50	35
- Exposec	8,100	9,760	11,355	150	170	180
- Infocomm	1,440	970	800	50	70	30
- Food Hospitality World	a)	1,375	690	a)	55	40
- Reatech, Fisiotech	a)	5,545	8,110	a)	185	265
- The China Products Show Brasil	a)	400	3,000	a)	40	130
- Fast Bahia	a)	a)	250	a)	a)	25
- Fast Goiana	a)	a)	215	a)	a)	25
- Fast Rio de Janeiro	a)	a)	180	a)	a)	20
- Fecontech	a)	a)	410	a)	a)	30
- Magnum	a)	a)	285	a)	a)	10
- Fippa-pet show	a)	a)	3,150	a)	a)	110
- Gospel	a)	a)	950	a)	a)	30
- Riosec	a)	a)	230	a)	a)	20
<b>Total Exhibitions directly organised in Brazil</b>	<b>10,400</b>	<b>19,555</b>	<b>30,620</b>	<b>245</b>	<b>570</b>	<b>950</b>
<b>Exhibitions directly organised in Turkey</b>						
- Beauty & Care Istanbul	b)	5,670	5,930	b)	140	125
- Home & Garden Istanbul	b)	1,710	3,015	b)	65	65
- Pro-Show	b)	1,430	1,870	b)	20	15
- Art International Istanbul	b)	b)	3,830	b)	b)	75
- Beauty & Care Ankara	b)	b)	1,670	b)	b)	45
- Promoturk	b)	b)	4,115	b)	b)	70
- Transist	b)	b)	3,365	b)	b)	60
- Zhejiang Trade Fair	b)	b)	1,280	b)	b)	140
<b>Total Exhibitions directly organised in Turkey</b>	<b>-</b>	<b>8,810</b>	<b>25,075</b>	<b>-</b>	<b>225</b>	<b>595</b>
<b>Total Annual Exhibitions</b>	<b>336,970</b>	<b>376,220</b>	<b>375,685</b>	<b>7,480</b>	<b>9,680</b>	<b>9,615</b>
<b>BIENNIAL</b>						
<b>Exhibitions directly organised in China</b>						
- Metal + Metallurgy	-	3,770	-	-	85	-
- WoodMac China	-	9,565	-	-	80	-
- Aviation & Space Fair Shanghai	a)	-	1,200	a)	-	55
- West China Manufacturing and Industrial Fair	a)	-	430	a)	-	35
<b>Total Exhibitions directly organised in China</b>	<b>-</b>	<b>13,335</b>	<b>1,630</b>	<b>-</b>	<b>165</b>	<b>90</b>
<b>Exhibitions directly organised in Brazil</b>						
- Feitintas <sup>(*)</sup>	1,045	-	-	25	-	-
- Fesqua	10,300	-	13,845	195	-	285
- Fisp	19,385	-	23,140	330	-	370
- Braseg	-	1,510	-	-	55	-
- Tubotech	-	5,780	-	-	190	-
- Wire South America	-	3,415	-	-	165	-
<b>Total Exhibitions directly organised in Brazil</b>	<b>30,730</b>	<b>10,705</b>	<b>36,985</b>	<b>550</b>	<b>410</b>	<b>655</b>
<b>Exhibitions directly organised in Singapore</b>						
- Rehabtech Asia <sup>(*)</sup>	-	785	-	-	45	-
<b>Total Exhibitions directly organised in Singapore</b>	<b>-</b>	<b>785</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>-</b>
<b>Total Biennial Exhibitions</b>	<b>30,730</b>	<b>24,825</b>	<b>38,615</b>	<b>550</b>	<b>620</b>	<b>745</b>
<b>TOTAL EXHIBITIONS</b>	<b>367,700</b>	<b>401,045</b>	<b>414,300</b>	<b>8,030</b>	<b>10,300</b>	<b>10,360</b>

(<sup>o</sup>) The exhibition is a joint project with the Singaporean company Singex Exhibitions Ventures Pte Ltd.

a) The exhibition did not take place.

b) The Turkish subsidiary and related exhibitions were sold in the second semester 2015.

(<sup>\*</sup>) First edition of this exhibition.



# Fiera Milano Group Personnel

## Composition and turnover

At 31 December 2016, the Group had 725 permanent employees compared to 783 at 31 December 2015.

### Permanent employees at year end

(units)	31.12.2016			31.12.2015			31.12.2014		
	Total	Italy	Foreign countries	Total	Italy	Foreign countries	Total	Italy	Foreign countries
<b>Fully consolidated companies:</b>									
Executives	31	28	3	38	35	3	46	39	7
Managers and White collar workers (including Journalists)	633	548	85	687	594	93	698	583	115
<b>Total</b>	<b>664</b>	<b>576</b>	<b>88</b>	<b>725</b>	<b>629</b>	<b>96</b>	<b>744</b>	<b>622</b>	<b>122</b>
<b>Equity-accounted companies (a):</b>									
Executives	2	-	2	2	-	2	2	-	2
White collar workers	59	8	51	56	-	56	61	-	61
<b>Total</b>	<b>61</b>	<b>8</b>	<b>53</b>	<b>58</b>	<b>-</b>	<b>58</b>	<b>63</b>	<b>-</b>	<b>63</b>
<b>TOTAL</b>	<b>725</b>	<b>584</b>	<b>141</b>	<b>783</b>	<b>629</b>	<b>154</b>	<b>807</b>	<b>622</b>	<b>185</b>

(a) the indicated data corresponds to the pro-quota of total employees.

In 2016, there was a year-on-year net decrease of 58 Group employees. In Italy, this was mainly due to the early retirement plans of the Parent Company and the restructuring of the subsidiary Fiera Milano Media SpA. Abroad, it was due to the restructuring of the subsidiary Fiera Milano Africa, as well as to the high employee turnover rate of the Brazilian and Chinese (Worldex) companies.

In 2016, 74 persons joined the Group, of which 38 in Italy; the increase in numbers was to reinforce the marketing departments and also reflected the change of some personnel on fixed-term contracts to permanent contracts that was part of the Company strategy gradually to hire more junior resources that are initially taken on as interns on a training programme; the remaining 36 persons outside Italy are linked to the high employee turnover rate.

In 2016, 132 persons left the Group of which 83 were from the Italian companies and were mainly connected to the early retirement schemes and the restructuring that started in 2015; 49 persons were from the foreign businesses due to the high employee turnover rate in these companies and also due to the restructuring of some businesses.

During 2016 the early retirement project concluded. This involved 19 persons of which 17 were in the Parent Company and two in the subsidiaries Fiera Milano Congressi SpA and Nolostand SpA.



Moreover, as part of an organisational project to increase efficiency and re-examine certain products of the subsidiary Fiera Milano Media SpA, the Real Estate publications were closed along with the publication Energia Ambiente, which led to the departure of three persons. The graphic side of the publications has been outsourced, as well as the logistics connected to the organisation of events and this led to the departure of a further 22 persons.

With effect from 1 January 2016, two business divisions connected to the Ipack-Ima exhibitions of Ipack-Ima SpA and the Food Pack exhibition of Proma-Pack Srl, a company belonging to UCIMA (the Association of Italian manufacturers of packaging and packaging materials), were conferred on the newly constituted company Ipack Ima Srl, held 49% by Proma-Pack Srl and 51% by Fiera Milano SpA. This partnership will result in the largest Italian exhibition of processing and packaging technologies.

The turnover rate of employees, calculated as the difference between those joining and those leaving the Group as a percentage of the average number of employees, was 28.6% compared to 25.9% in the 2015 financial year.

Fiera Milano Group employs staff on fixed-term contracts to manage the peaks of activity in the exhibition calendar and for extraordinary projects. Personnel on fixed-term contracts went from 30 persons at 31 December 2015 to 26 persons at the end of 2016.

## Governing employment contracts

The Italian companies within the Fiera Milano Group use the national collective employment agreement for tertiary, distribution and service companies; the companies in the publishing sector employ personnel under the national collective employment agreement for graphic design and similar companies, publishing companies and multimedia companies and the national contract for journalists.

The employees of Fiera Milano Group are divided into three main categories:

- executives with a managerial role;
- middle managers and journalists with specialist roles;
- other employees, office staff, and technical support staff.

The Italian division of the Fiera Milano Group has no manual workers as it outsources all activities linked to the supply and organisation of exhibition services.

Outside Italy each company applies the employment laws of the jurisdiction in which it is based.

## Safety measures adopted

The safety of its personnel is of primary importance and Fiera Milano Group makes significant investments on this front. In 2016 specific safety training was organised for employees with technical responsibilities.



## Training

The 2016 training programme of Fiera Milano Group focused on training courses to increase and enhance the special technical competences and knowledge of information technology and foreign languages within the Group.

In addition to refresher courses on occupational health and safety requirements, first aid and firefighting measures, training focused on methods of refining procedures and increasing efficiency through courses on project management and time management.

Following the restructuring of Fiera Milano Media SpA a plan was implemented to retrain some of the personnel in order to increase digital competences as opposed to the more traditional experience required in the publishing sector and to introduce new ways of understanding the market in order to grow the business.

The total number of Group personnel that took part in the 79 training sessions held was 516 for a total 5,162 hours.



# Environment

## Environmental management

Fiera Milano Group pays particular attention to the responsible and efficient use of energy resources both through careful management attention to the normal running of its specific activities and to the design of new and more innovative plant.

All energy consumption in the Fiera Milano Group in Italy is mapped and monitored in real time in order to pinpoint more efficient energy solutions and a consequent reduction in emissions. Similarly, the attention paid by Fiera Milano Group to water resources has resulted in measures to reduce consumption.

The environmental impact of Fiera Milano Group in Italy comprises a variable component that is linked to the exhibitions, congresses and exhibition services and a fixed component that is constant over the year and is linked to the energy consumption of the facilities.

As part of its continuing energy performance improvement programme, Fiera Milano has replaced defective components with more efficient ones. In 2016, the lighting fixtures of pavilions 1/3 and 2/4 were replaced with units using LED technology that will guarantee the same level of light but give significant energy savings. In the current financial period similar improvements will be made to pavilions 5/7 and 6/10. In the final months of 2016, Fiera Milano Group worked to obtain LEED Silver certification, which is higher than the certification currently held; the results will be known in April 2017.

## Waste management

Fiera Milano Group adheres to the laws governing waste management and follows the provisions of enacted law regarding waste disposal. It has appropriate internal procedures to ensure it meets the requirements of environmental laws and has a dedicated department to monitor these aspects.

Most of the waste produced in the exhibition sites is from setting up the exhibition areas. The waste is collected by regional operators using multi-material means to sort the different types of waste materials which are then subjected to various processes to obtain secondary raw materials.

In 2016, Fiera Milano SpA continued the work started in 2015 to improve its waste management and to encourage those visiting its sites to sort their waste. It provided recycling and sorting bins in the **fieramilano** exhibition site and bins of recyclable corrugated cardboard inside the exhibition pavilions.



## Sustainable mobility

The Company policy is to reduce energy consumption, acoustic pollution and to contain the emission of greenhouse gases. To this end it has set up an internal department to study and research ways of reducing its environmental impact.

The environmental impact linked to mobility derives from specific circumstances in the different phases of the life cycle of an event. During the organisation and setting up phase of an exhibition, the environmental impact is primarily from the supply and delivery of goods and equipment; during the event, the environmental impact derives from the transit of exhibitors and visitors to and from the exhibition site; at the end of the event, the persons dismantling and removing the materials used in the exhibition represent the major source of environmental impact. The impact of the employees of the Fiera Milano Group should be considered in the context of the cumulative effect generated across all operational activities.

To reduce the environmental impact during the various phases of the exhibitions, Fiera Milano Group has implemented several initiatives to manage mobility in the most environmentally sustainable way possible. Through its traffic control and coordination centre and a series of agreements with the main transport organisations and the law enforcement agencies, it actively contributes to managing mobility throughout the area in and around the exhibition sites during the different phases of events and provides real time traffic and mobility data through the information service, Info Mobility Fiera Milano.

Source: 2016 Sustainability Report





# Risk factors affecting Fiera Milano Group

## 📍 Risk management in Fiera Milano Group

The Fiera Milano Group has for some time now carried out a periodic analysis of the risks at Group level using internationally recognised standards of Enterprise Risk Management (ERM).

The main aim is to have a systematic and proactive approach to the main risks to which the Group – and also each of its companies – is exposed in carrying out its business and pursuing its pre-established targets, to assess in advance the potential negative effects, implement opportune actions to mitigate these effects, and to monitor over time any relative exposure.

In order to achieve this Fiera Milano SpA has compiled a catalogue of Group risks linked to the strategies being implemented, together with a risk mapping and risk scoring methodology. Specifically, the Group integrated risk management process entails an annual *(i)* update of the risk catalogue according to the strategies implemented and the management and business model used; *(ii)* assessment of the risks by the management of Fiera Milano SpA and of its subsidiaries; *(iii)* consolidation of information and prioritisation of the risks and the consequent areas of action; *(iv)* tolerance analysis of any exposure identified and formulation of the appropriate management strategies/actions and the identification of those responsible for implementing such actions.

The Control and Risk Committee and the Board of Statutory Auditors are informed of the results of the aforementioned annual processes.

The main risk factors and uncertainties to which the Fiera Milano Group is exposed that have emerged from the aforementioned process are described below taking into account the business sector in which it operates and the characteristics of the business model it uses. A description is also given, where necessary, of the Group policies to manage and mitigate the risks described.

## 📍 1. Risks related to external factors

### Risks linked to the economic environment

Despite recent signals of an economic recovery, the outlook for growth in the European markets – and, in particular, the Italian market – remains marked by considerable uncertainty. In addition, there is the extended crisis in some product areas and the significant seasonality of some of the business areas in which the Group operates and, therefore, the effect on the results of these areas. Moreover, recent international geopolitical developments on the one hand indicate the adoption of protectionist commercial policies by some leading countries, for example, the United States, and, on the other hand, a period of precarious political stability in some European countries that is contributing to the increase in uncertainty surrounding the economic growth forecasts for the business.

This gives the Group limited visibility on the likely investments of its clients – and, in particular its target clients – in exhibitions and related services and could well have an impact on the stability of revenues and profitability of the Group both in the short-term and in the medium/long-term.

In order to continue to counteract the effect of this scenario on its activities (and specifically the risk of lower numbers at the exhibitions hosted or directly organised in the Fiera Milano exhibition sites and of the relative investment budgets), in 2017, the Group intends to continue the support actions and incentives for exhibitors at the exhibitions held in Italy. It will also be done through the re-scheduling of some events so that they take place in the period considered best for them and also take account of the events held by competitors. The



Group has also implemented a strategy to rationalise its shareholdings and its involvement in exhibitions held abroad through a careful focus on countries and industrial sectors that offer considerable potential, enhancing its international presence through partnerships with international foreign exhibition and congress organisers, and through promoting abroad the excellence of all the other businesses within its portfolio.

### Risks connected to trends and competition in the exhibitions, publishing and congress markets

The sectors in which the Group is active are characterised by strong competition both in terms of pricing pressure and by the complete or partial overlapping of exhibitions or of services provided.

The context in which the exhibition business of Fiera Milano Group operates remains in a mature phase and has specific characteristics: (i) the continuing consolidation of some sectors of product manufacturing/distribution activities, (ii) changes and innovation in product categories, (iii) the transformation of exhibitions from “places where demand meets supply” to events which offer even greater business opportunities and, above all, (iv) by an ever-increasing growth in competition, also on tariffs, and (v) the continuous development of the Asian and Middle Eastern markets marked by their strong competitive power due to their receptivity to exhibitions.

To maintain its domestic market position and increase its position and competitiveness on the international market, as well as awareness of its brand by foreign clients and competitors, Fiera Milano Group has continued its strategy of (i) enhancing its portfolio of directly organised or hosted exhibitions mainly by launching new proprietary initiatives, expanding some of these to include contiguous market sectors, by rescheduling them to more favourable periods of the year, and increasing the portfolio of hosted exhibitions and (ii) enhancing its international business, rationalising its foreign shareholdings and repositioning its exhibition offer to focus on more profitable sectors while pursuing partnerships with leading exhibition organisers and entering new areas of the congress sector.

Group revenues in the publishing sector are mainly affected by market trends and by strong competition, also technological, that has been a feature of this sector in recent years. Given this context, Fiera Milano SpA aims to maintain the high quality of its products by investing in content and new technologies in order to develop an integrated B2B multimedia offer and gradually to diversify the communication channels in which it is present and the services it offers whilst continuing to consolidate its relationship with its major investors through both personal and professional contacts.

In recent years, the Italian congress sector has experienced a significant drop in demand also due to the higher number and strength of the major international competitors that, in some cases, have also been helped over time by state incentive policies. The appearance of new participants in the Italian market has increased competition further also taking into consideration the worrying possibility of institutional support and the consequent synergies that can be obtained with smaller groups of visitors and smaller clients. In order to maintain and consolidate its own competitive position, the Group is continuing to follow a strategy of relaunching its integrated services and/or those services that complement the congress offer (e.g. destination management services).



## Catastrophe risk

Fiera Milano Group's infrastructure, primarily its information technology, requires periodic updating to ensure it responds effectively and systematically to the requirements ensuing from its various activities. The Group is exposed to the risk of a malfunction and/or a complication at the infrastructure level that could have negative repercussions ranging from delays in the conduct of its business to a temporary interruption in its business. The Group has already planned to completely renew its infrastructure in order to minimise the possibility of such an event and has drawn up a Disaster Recovery Plan that can be activated if required.

In terms of security, the recent terrorist attempts, particularly those that have taken place in Europe, would expose the Group to possible negative repercussions from a remote-controlled attack within or near the exhibition site or in any other locality in which Fiera Milano SpA operates with injuries to visitors and damage to structures and an ensuing drop in visitors and exhibitors. To this end, the Group has an effective security system that controls access by suppliers, exhibitors, visitors and employees to the exhibition site that will be strengthened further and it also works directly with the relevant Authorities.

## Risks connected to the media exposure of the Group

The recent events involving certain Group companies increased the media exposure of the Group and, in particular, its sensitivity to risks from negative media coverage and inadequate external communication management policies, as well as the possibility that third-parties could take advantage of this exposure for their own ends. In particular, failure to manage the risk that a high profile media event could lead to widespread public exposure (including on the internet and social media platforms) has become of increased importance. Communication regarding the Group, already considerable given the nature of the Group and its various forms of communication (exhibition-related, institutional and financial) and of its principal stakeholders, has increased considerably as a result of the involvement of Fiera Milano SpA in the investigations of the Milan Court and the subsequent administration order imposed on the Company. This media exposure left the Company open to uncontrolled damage to its image through the media (including the internet and social media platforms). Therefore, the risk that an event receiving widespread media coverage could lead to unmanaged exposure in the media has taken on greater importance.

To avoid this risk in the short-term, the Group has undertaken to outsource all "Media Crisis" related events. Moreover, the Group has revised its communication policy and, in general, its management procedures for external communications and for media crisis situations.

## 2. Strategic and operating risks

### Risks connected to a dependency on the exhibition business

In recent years, the dependence of some Group companies on the exhibition and congress businesses has increased. In particular, the businesses of Fiera Milano Media SpA and Nolostand SpA are still almost entirely connected to the events portfolios of Fiera Milano SpA and Fiera Milano Congressi SpA. The strategic and business initiatives implemented in the last year failed to provide the expected reduction in the dependency on Group business and, therefore, the performance of Fiera Milano Media SpA continues to be closely linked to that of Fiera Milano SpA, as does that of Nolostand SpA, whose business is almost entirely dependent on the exhibitions and congresses organised/hosted by Fiera Milano SpA and Fiera Milano Congressi SpA.

To address this dependency and the inherent risks it poses to the business of the two aforementioned companies, the Group intends to introduce measures (some already implemented) to mitigate the potential negative effect on its consolidated results. In particular, Fiera Milano Media SpA is following a development strategy to build



and consolidate non-captive commercial strategies also through new initiatives (Digital Outdoor Advertising) and projects that target clients outside the Group (Club Business International). Nolostand SpA, following its success in occasional international initiatives in 2016, is broadening its business model to expand directly into new European markets and is developing further initiatives “outside the exhibition site” (that will also include a direct sales network for clients outside the Group).

#### Risks connected to the launch and repositioning of events and the loss of key events

Following the launch of new events and given the possible further expansion of the events portfolios of Group companies (with particular reference to the exhibition business), the risk that these events will underperform has risen considerably. The major risk is the increased probability of over-estimating the results of these events with potential repercussions for the forecast results both in the short and the medium/long-term. This uncertainty is further exacerbated by the simultaneous repositioning of some events, which have been part of the portfolio of Fiera Milano SpA for a long time, and for which is envisaged a complete change of organisational format as, for example, the transfer of an event to **fieramilanocity** exhibition site.

Added to the above risk is the possibility of losing an event considered key to the Group if certain events do not meet the level of success to guarantee that they will continue in the future and, therefore, that the event becomes no longer part of the Group portfolio and results in a negative impact on Group results. This risk is heightened by the potential negative effects on the reputation of the Company caused by the recent events underlying the administration order and their repercussions on participating exhibitors (see Section 4: Risks connected to the administration order).

The Group has prepared strategic development plans to minimise any exposure to this type of risk by (i) continuous marketing and internationalisation of events and their respective brands through strengthening the sales structure and the Italian and international marketing network and (ii) implementing competitive response strategies through the creation of partnerships with other companies in the Italian and international exhibition sector and with professional associations/supranational entities that will increase visibility and media perception of such events.

#### Risks connected to the capacity to retain the necessary specialist competences

The Fiera Milano Group considers its human resources and competences in the exhibitions, congress and other sectors of interest to be one of its principal strategic assets. The gradual evolution of exhibitions from “large marketplace” to “major event” or “experience” (with increasing importance attached to market trends) and the pursuit of medium/long-term strategies (including the development of new proprietary exhibitions) require specialist professional competences that are not easily found. The current performance management systems for assessing the ability of employees and the employee incentive plans aim to enable the Group to increase the validity and loyalty of its personnel and key internal competences ensuring a better coordination/exchange and sharing of expertise. Nevertheless, the Group is increasingly exposed to the risk that competences and relationships built up by internal organisers are inadequate to meet new market challenges and/or are not effectively shared within the Group.

In response to this, the Group is implementing a risk mitigation plan aimed at increasing the coordination and commercial and organisational synergies that can be achieved by internal organisers together with enhanced monitoring of the performance of external organisers.



## Risks connected to seasonality

Exhibition and event organisation is subject to seasonality and cyclicity. Both of the latter are particularly marked in the Italian and European markets as almost no exhibitions are held in the summer months and because of the presence of biennial or multi-annual exhibitions. This seasonality significantly affects the annual spread of the Group's revenues and profits and may also expose it to the risk that the exhibition site could reach saturation levels, which might be sub-optimal to its objectives of reaching forecast profitability.

To date, the strategies pursued by management to counteract this risk include (i) enhancing the exhibition portfolio and re-positioning some long-standing events, (ii) internationalising events (in terms of exhibitors and visitors), (iii) setting up strategic and commercial collaborations/alliances with other exhibition venues and/or organisers, and (iv) increased exploitation of other revenue sources linked to the exhibition sites (such as events other than exhibitions held in the summer months) and these led to greater stability of revenues and profitability over the year under review.

## 3. Compliance risks

### Risks connected to the reference legislative framework

The new regulations for listed companies (regarding market abuse and the management of inside information) or data protection and the management of sensitive information, both at a European and an Italian level expose the Group to the risk of non-transposition under the indicated provisions and therefore non-compliance. As a result, the Group could be subject to significant administrative sanctions by the Regulatory Authorities with negative economic, capital and financial repercussions. A system to update the corporate operational processes and procedures has already been drawn up under the evolving legal framework and a system of internal dissemination of information has been set up involving the relevant persons.

The activities of the Group, particularly those carried out in the exhibition sites, and the number of persons (employees, suppliers, exhibitors, visitors, congress attendees and those involved in setting up exhibitions, etc.) that transit or work in the exhibition sites, expose the Group companies to the risk of accidents or breaches of the legislation governing workplace health and safety (Consolidated Law 81/2008). Should the laws on workplace health and safety be infringed, the Group could be subject to significant administrative sanctions or, in the case of accidents, could leave it exposed to litigation with possible negative implications for its economic, capital and financial situation. The Group also makes extensive use of suppliers for services connected to the exhibitions (primarily stand-fitting and catering services) that come under the law governing contractors (Legislative Decree 223/2006 and subsequent amendments). Although the relationships of the workers from the contracting companies are exclusively with those companies, under the law Group companies could be held jointly responsible with the contracting companies for the payment of social security contributions for workers carrying out the contracts. Therefore, the Group is exposed to the risk of administrative sanctions (also under the provisions of Legislative Decree 231/2001) and interruption of its business for breaches of the relevant laws, including workplace health and safety and the regulations governing remuneration and social security, made by construction companies and unauthorised sub-contractors.

Fiera Milano Group protects itself from such eventualities by rigorously adhering to the relevant laws and by a careful analysis of the underlying risks through a set of procedures that include:

- revising the procedures for the selection, contracting and management of suppliers and contractors, requiring that they adhere to the strictest requirements;
- the preparation of the *Documento Unico per la Valutazione dei Rischi da Interferenze (DUVRI)* [Unified text on assessment of risks generated by interference between activities conducted simultaneously in the same workplace] and updating of the procedures to meet the requirements of Legislative Decree 81/2008;
- use of a computerised system (through the web portal) that records those entering the exhibition site and,



- in particular, those setting up exhibitions, and supplies real-time monitoring of people flows;
- definition of the areas of the exhibition site to ensure that the legal safety requirements are met;
  - the use of and delivery to suppliers and exhibitors of Technical Regulations for Exhibitions, which contain the rules to which exhibitors and suppliers must adhere when setting up exhibitions;
  - the application of rigorous procedures for identification and control of third parties that are not clients (i.e. organisers, exhibitors and visitors) with access to the exhibition sites;
  - contractual protection.

### Administrative liability of entities

The Legislative Decree of 8 June 2001 no. 231 introduced the “discipline governing administrative liability of legal entities, companies and of associations without legal status” (Legislative Decree 231/2001) amending Italian law to meet some international conventions and requiring the adoption and effective implementation of organisational and management models. To meet the requirements of this Legislative Decree, the Italian companies of the Group have introduced organisational and management models that are constantly monitored and updated. However, it cannot be excluded that the models adopted could be considered by the competent Authority to be inadequate or not sufficiently updated, resulting in legal sanctions being imposed even if crimes are committed under the provisions of the law by persons having a functional connection to Fiera Milano SpA and its subsidiaries for their own interest or advantage.

The Group is currently revising and tightening its organisation and management models also as a result of areas for improvement being identified under the administration order. Foreign subsidiaries that are not obliged to adhere to the provisions of Legislative Decree no. 231/01 have not adopted organisation, management and control models under Decree 231. However, they have adopted the *Code of Ethics* of the Company and “Guidelines for the application of anti-corruption measures and other compliance programmes” in order to have a systematic reference framework of principles and standards for crime prevention.

### Risks connected to third-party liability

In carrying out the activities of Fiera Milano Group unforeseen damage could occur to property or persons within the Group exhibition sites. The simultaneous presence of numerous workers with different contracts (employees, external suppliers in direct contractual relations with the Group and/or sub-contractors of other companies, etc.) also makes any eventual attribution of responsibility very difficult in cases of damage to property or persons, with potential consequences for the business of the Company and its corporate image. To guard against these risks, Fiera Milano Group has taken out insurance policies and has set up an internal unit (Exhibition Safety) responsible for circulating safety information and material for the correct management of such risks.



## 4. Other risks

### Risks connected to developments regarding the administration order for Nolostand SpA and Fiera Milano SpA

Starting in July 2016, first the subsidiary Nolostand SpA and then Fiera Milano SpA for the “exhibition stand-fitting” business segment were notified of administration orders from the Milan Court aimed at verifying the existence and extent of evidentiary indications regarding contractual relations with a supplier and members of the same consortium. The order was issued to protect the assets of Nolostand SpA and Fiera Milano SpA from eventual infiltration and/or collusion, and a Court Administrator was appointed for a period of six months that could be extended for a further six months. At the hearing on 22 November 2016, the Court ordered that the administration orders for Fiera Milano SpA and Nolostand SpA be unified as the issues of both were closely connected. On 20 December 2016, the Court, having heard the Court-appointed Administrator, extended the administration order for Nolostand SpA for a further six months. Therefore the administration order for Nolostand SpA will expire on 6 July 2017 unless otherwise decreed by the Milan Court.

Following receipt of the administration order, the Company suspended all dealings with the supplier Consorzio Dominus and the Group moved to replace it by dividing the business given to that supplier for future exhibitions among several recognised suppliers. Fiera Milano SpA and Nolostand SpA put some employees on precautionary suspension and dismissed others. Given these measures, costs and risk provisions were made that are described in the Supplementary and Explanatory Notes to the Accounts.

From a financial viewpoint, it should be noted that at 31 December 2016, Nolostand SpA had no bank loans outstanding but the uncertainty created by media coverage of the events that gave rise to the administration order initially caused a hardening in the attitude of some banks, which was immediately counteracted by providing information on the aims and scope of the procedures connected to the administration order to reassure the company’s counterparts.

On the basis of information available at the date of the present Report, it is not considered that the administration order has had an impact on the ongoing business operations of the Fiera Milano Group. However, it cannot be excluded that the progress of the investigation and further analysis of the events that gave rise to the administration order could affect the capital and financial situation of the Group in the future.

The main repercussions of the administration order, in terms of risk to the Group and to its business, are the increased complexity of the corporate governance of Fiera Milano SpA and the impact of adopting the legal safeguard procedures that are an appropriate and necessary consequence of the prevention measures imposed on the business and its operations.

#### (i) Risks linked to increased complexity in Group operations

This risk is linked to the possibility that as a result of the administration order and the measures implemented as a consequence of it, that the Group corporate governance increases in complexity or, despite measures being taken in close collaboration with the Court-appointed Administrator, that there is a delay or lengthening of the decision-making process or the management of matters regarding integrity and internal relations, also in the interaction with Group companies. Lengthening the decision-making processes could significantly increase the complexity of operations and their efficiency.

To date, the strategies implemented by management to counteract this risk comprise an analytical review of the Group organisational structure and decision-making processes in order to implement the safeguards set up as part of the administration order and ensure that they have no impact, in terms of managing the organisational complexities, in the medium/long-term but give rise to the positive effects intended by the administration order.



## (ii) Risks linked to the effects on the business and its functioning

Given the events that gave rise to the administration order, reviews were carried out of the different operating procedures for the management of certain aspects of the business considered particularly sensitive and significant. This has led to an increase in the exposure to risk that the introduction of the aforementioned procedures damages, even indirectly, the business and operations of the Group, for example, extending transaction times, limiting the type and number of counterparties with which it does business, or in some way affecting the normal execution of the ongoing operations and business. In particular, this risk exposure increases with the possibility that new and stricter operational requirements imposed on counterparties (suppliers, business partners, distributors, etc.) restricts the possibility of concluding advantageous agreements within normal time limits and/or the fulfilment of beneficial contracts with third-parties who do not meet the new standards under the procedural system that has been set up: the exposure to the aforementioned risk is balanced by the certainty that the new standards minimise counterparty risk.

To counteract this particular type of risk and the potential negative effects in terms of reputation and integrity the Group has introduced a series of mitigation measures and procedures focused primarily on (i) an overhaul of the Procurement Department, the purchasing procedures and processes (and those attributable to them), (ii) a study and review of radically alternative business models and (iii) strengthening the Internal Audit department.

## (iii) Risks linked to potential repercussions from the lack of transparency in dealings with counterparties

The administration order has increased focus on the fact that counterparty relations that lack transparency can give rise to illegal behaviour, for example, corruption, that compromises the Group's reputation and integrity also through media exposure and given the nature of its principal stakeholders.

To counteract this form of risk and the potential negative impact on reputation and integrity, the Group is setting up a specific compliance function to guarantee increased protection against the potential effect of risks linked to corruption or the integrity and reputation of the Fiera Milano Group. In addition to the measures described in the previous paragraph, changes are being made to the organisation aimed at segregating various responsibilities and ensuring maximum clarity regarding the responsibilities of the various company departments.

## 5. Financial risks

The disclosure required by IFRS 7 for financial assets and liabilities in the Explanatory and Supplementary Notes to the Financial Statements gives details of financial risk.





## Non-financial disclosure

Legislative Decree no. 254 of 30 December 2016 that adopts Directive 2014/95/EU (known as the “Barnier Directive”) requires large undertakings and public-interest entities that on their balance sheet dates exceed the criterion of the average number of 500 employees during the financial year on a consolidated basis to provide a non-financial statement.

Non-financial statements are mandatory for the financial years starting on 1 January 2017 or during the calendar year 2017.

Fiera Milano Group, in order to adhere to this requirement, has, in recent years, involved many of its departments in preparing the Reports on Sustainability for 2015 and 2016.

The non-financial disclosures included in the Report on Sustainability were also subject to internal reviews of a selection of indicators that were chosen in relation to the subject matters and disclosure requirements of Legislative Decree 254/2016.



## Significant events after the end of the reporting period

With regard to the aforementioned administration order, the Parent Company Board of Directors has made strenuous efforts, both before and after the administration order was issued, to bring about a significant improvement in the corporate governance of the Company and to instigate numerous measures to ensure the best way of implementing these measures.

Following the request of the Public Prosecutor that the administration order be extended to all areas of the Company, on 13 January 2017, the Board of Directors, having carefully considered only what was in the interest of the Company, decided that the best solution was to resign its responsibilities so that a new Board of Directors could be appointed from the date of the Shareholders' Meeting to approve the Financial Statements at 31 December 2016, which is scheduled for 21 April 2017. The Milan Court – Prevention Court Independent Section subsequently denied the request of the Public Prosecutor and stated that the administrative and management functions should remain the domain of the Board of Directors but, at the same time, it extended the powers already given to the Court-appointed Administrator to cover the legality and compliance safeguards of the entire Company.

The Board of Directors also felt that the Chief Executive Officer should resign his responsibilities. Mr Peraboni, being informed of the resignations of the Directors, also resigned. The Board of Directors then gave the authority for the ordinary management of the Company to the Chairperson in order to ensure the ongoing management of the business.

On 22 February 2017, the contract for the sale of the 75% shareholding in Worldex (China) Fiera Milano Exhibitions Co., Ltd was signed.

The sale price under the contract is Euro 2.750 million plus an eventual deferred amount of a maximum of Euro 1.000 million dependent on certain results being achieved in the three years 2017-2019, which is not recognised in the valuation at 31 December 2016 under IFRS 5. The sale of the shareholding in the subsidiary Worldex is in line with the strategy of repositioning the Group presence outside Italy and of concentrating the foreign activities of the Group in the joint venture with its German partner Deutsche Messe.

On 28 March 2017, the Milan Court – Prevention Court Independent Section extended the administration order for the exhibition stand-fitting business division of the Company, due to expire on 11 April 2017, for a further six months; the first expiry date for the unified administration order is July 2017.



## Business outlook and assessment of the Company as a going concern

The improvement in the reference economic environment was confirmed by the exhibitions held in Italy in the first part of the current financial year, which provided encouraging signals in terms of both exhibitors and visitors. The exhibitions in the fashion accessories sector had particularly positive results.

The 2017 financial year will benefit from a more favourable exhibition calendar with the presence, amongst other events, of the important directly organised biennial exhibitions Tuttofood and Host. The latter is the international leader in the HoReCA trade sector and had record results at its last edition. It is expected to grow further and, with eight months still to go until the exhibition opens, more than 90% of the exhibition space has been taken by companies and some areas are completely sold out.

The exhibition calendar of the current financial year also includes nine new exhibitions directly organised or organised by third-parties; this is the result of the efforts made in 2016. The directly organised events include Tempo di Libri and Versilia Yachting Rendez-vous whilst those organised by third-parties include Lamiera, Expo Ferroviaria, the International Dog Show, MAM Mostra and Milano Art and Antiques, which combines the world of antiques with that of design.

Assuming no events or circumstances that at the present time cannot be foreseen also in connection with developments regarding the administration order described in the paragraphs above, the Group expects a significant improvement in the gross operating profit in 2017 compared to that achieved in 2016.

Given the capital and financial position in the 2016 financial year, the financial forecasts in the budget and the 2017-2020 Industrial Plan, approved by the Board of Directors on 6 February 2017, and the forecasts for working capital requirements and for the financial and capital position, the Financial Statements and Consolidated Financial Statements have been prepared on the principles of a going concern.



# Economic and financial performance of Fiera Milano SpA

## Fiera Milano SpA Income Statement

<i>(amounts in €'000)</i>	2016		2015	
	Value	%	Value	%
<b>Revenues from sales and services</b>	<b>173,421</b>	<b>100.0</b>	<b>277,307</b>	<b>100.0</b>
Cost of materials	506	0.3	900	0.5
Cost of services	100,614	58.0	144,893	83.5
Costs for use of third party assets	43,551	25.1	54,945	31.7
Personnel expenses	32,245	18.6	45,779	26.4
Other operating expenses	3,519	2.0	4,636	2.7
<b>Total operating costs</b>	<b>180,435</b>	<b>104.0</b>	<b>251,153</b>	<b>144.8</b>
Other income	5,230	3.0	6,756	3.9
<b>Gross operating result</b>	<b>(1,784)</b>	<b>-1.0</b>	<b>32,910</b>	<b>19.0</b>
Depreciation and amortisation	4,033	2.3	6,273	3.6
Allowance for doubtful accounts and other provisions	5,241	3.0	5,463	3.2
Adjustments to asset values	3,333	1.9	1,953	1.1
<b>Net operating result (EBIT)</b>	<b>(14,391)</b>	<b>-8.3</b>	<b>19,221</b>	<b>11.1</b>
Financial income/(expenses)	5,173	3.0	1,009	0.6
Valuation of financial assets	(19,521)	-11.3	(16,033)	-9.2
<b>Profit/(loss) before income tax</b>	<b>(28,739)</b>	<b>-16.6</b>	<b>4,197</b>	<b>2.4</b>
Income tax	(3,579)	-2.1	5,653	3.3
<b>Profit/(loss) from continuing operations</b>	<b>(25,160)</b>	<b>-14.5</b>	<b>(1,456)</b>	<b>-0.8</b>
<b>Profit/(loss) from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit/(loss)</b>	<b>(25,160)</b>	<b>-14.5</b>	<b>(1,456)</b>	<b>-0.8</b>
<b>Total Cash flow</b>	<b>(12,553)</b>	<b>-7.2</b>	<b>12,233</b>	<b>7.1</b>

**Revenues from sales and services** were Euro 173.421 million compared to Euro 277.307 million in 2015, a decrease of Euro 103.886 million.

The decrease in revenues was mainly due to the less favourable exhibition calendar and the absence in the year under review of the directly organised biennial exhibitions Host and Tuttofood, the hosted exhibitions Made Expo and Simej, the triennial exhibitions Ipack-Ima and Plast, the multi-annual exhibition EMO, held in Milan every six years, and the itinerant exhibition ITMA, all present in the previous financial year. Moreover, 2015 included the revenues for the contracts linked to Expo 2015. This effect was, in part, compensated by the presence of the biennial exhibitions Mostra Convegno Expocomfort and Bimu.

A breakdown of sales by geographic region is not given as Fiera Milano SpA operates almost exclusively on the domestic market.

The **gross operating result** was a loss of Euro 1.784 million compared to a profit of Euro 32.910 million in the previous year, a decrease of Euro 34.694 million.

The gross operating loss was mainly due to the aforementioned amount of exhibition space sold. This was,



in part, compensated by lower operating costs. There was a decrease in the rental costs for the **fieramilano** exhibition site due to the absence of the variable component of the rent for the presence of Expo 2015 and payable only in 2015, a drop in personnel costs due to the savings from the restructuring that commenced in the last part of 2015, lower redundancy incentives, and a lower variable component of remuneration.

The **net operating result** was a loss of Euro 14.391 million compared to a net operating profit of Euro 19.221 million at 31 December 2015. The Euro 33.612 million decrease reflected the decline in the gross operating profit, as well as higher impairment charges, that were, in part, compensated by lower amortisation and depreciation as some assets were fully depreciated. Euro 2.977 million of the impairment charges were for the trademark BIT and Euro 0.356 million for the Transpotec & Logitec trademark.

**Net financial income** was Euro 5.173 million compared to Euro 1.009 million at 31 December 2015. The increase of Euro 4.164 million reflects higher dividends received and the decrease in financial expenses following lower average current and non-current debt.

The **valuation of financial assets** was negative for Euro 19.521 million compared to a negative figure of Euro 16.033 million at 31 December 2015. This was due to the impairment charges taken on investments. Further details are provided in Note 41 of the Explanatory and Supplementary Notes to the Financial Statements.

The **profit/(loss)** at 31 December 2016 was a loss of Euro 25.160 million after a positive tax item of Euro 3.579 million compared to a net loss of Euro 1.456 million after taxes of Euro 5.653 million in the previous financial year. The decrease in the tax charge is mainly due to the payment from Fondazione Fiera Milano under the tax consolidation for the use of IRES tax losses in the period under review used in the tax consolidation against the IRES payable for the period. There was also an absence of taxes payable for the period, in particular IRAP, which was mainly due to the deductibility of the tax wedge and the residual cost of permanent employees from the amount of IRAP payable.

Further details on taxes are provided in the Explanatory and Supplementary Notes to the Financial Statements.



## Fiera Milano SpA Reclassified Statement of Financial Position

<i>(Amounts in €'000)</i>		31.12.2016	31.12.2015
	Goodwill and intangible assets with an indefinite useful life	70,144	70,144
	Intangible assets with a finite useful life	10,070	13,079
	Tangible fixed assets	3,678	4,139
	Financial assets	70,297	86,382
	Other non-current assets	3,041	3,084
<b>A</b>	<b>Non-current assets</b>	<b>157,230</b>	<b>176,828</b>
	Inventories	4,467	1,198
	Trade and other receivables	33,866	45,878
<b>B</b>	<b>Current assets</b>	<b>38,333</b>	<b>47,076</b>
	Trade payables	19,839	26,185
	Advances	34,670	31,545
	Tax liabilities	905	4,022
	Provisions for risks and charges and other current liabilities	30,936	49,234
<b>C</b>	<b>Current liabilities</b>	<b>86,350</b>	<b>110,986</b>
<b>D</b>	<b>Net working capital (B – C)</b>	<b>(48,017)</b>	<b>(63,910)</b>
<b>E</b>	<b>Gross capital employed (A + D)</b>	<b>109,213</b>	<b>112,918</b>
	Employee benefit provisions	5,003	5,792
	Provisions for risks and charges and other non-current liabilities	1,998	2,952
<b>F</b>	<b>Non-current liabilities</b>	<b>7,001</b>	<b>8,744</b>
<b>G</b>	<b>NET CAPITAL EMPLOYED continuing operations (E – F)</b>	<b>102,212</b>	<b>104,174</b>
<b>H</b>	<b>NET CAPITAL EMPLOYED asset held for sale</b>	<b>2,750</b>	<b>-</b>
	<b>TOTAL NET CAPITAL EMPLOYED (G + H)</b>	<b>104,962</b>	<b>104,174</b>
	covered by:		
<b>I</b>	<b>Equity</b>	<b>60,488</b>	<b>86,329</b>
	Cash & cash equivalents	(11,983)	(42,972)
	Current financial (assets)/liabilities	42,349	49,845
	Non-current financial (assets)/liabilities	14,108	10,972
	<b>Net financial position continuing operations</b>	<b>44,474</b>	<b>17,845</b>
	<b>Net financial position asset held for sale</b>	<b>-</b>	<b>-</b>
<b>L</b>	<b>Net financial position (TOTAL)</b>	<b>44,474</b>	<b>17,845</b>
	<b>EQUITY AND NET FINANCIAL POSITION (I + L)</b>	<b>104,962</b>	<b>104,174</b>

The items in the Reclassified Statement of Financial Position correspond to those in the Statement of Financial Position of Fiera Milano SpA.

**Net capital employed** was Euro 104.962 million at 31 December 2016, an increase of Euro 0.788 million compared to the figure at 31 December 2015.

**Non-current assets** were Euro 157.230 million at 31 December 2016 compared to Euro 176.828 million at 31 December 2015. The decrease mainly reflects the decrease in financial fixed assets from value adjustments following impairment tests on investments.



**Net working capital**, the balance of current assets and current liabilities, moved from a negative figure of Euro 63.910 million at 31 December 2015 to a negative figure of Euro 48.017 million at 31 December 2016. Fiera Milano SpA has structural negative net working capital due to the favourable cash management cycle of exhibitions where advance payment of part of the attendance fee is made by clients. Furthermore, Fiera Milano SpA also manages these activities on behalf of third-party organisers and, in this way, generates positive cash flows also from renting exhibition space.

The change in net working capital was linked to a decrease in payables to suppliers and to organisers caused by the different exhibition calendar; this effect was, in part, offset by a decrease in trade and other receivables and an increase in advances for future events.

**Equity** was Euro 60.488 million, a decrease of Euro 25.841 million compared to the balance at 31 December 2015, mainly due to the net result for the period.

The **net financial position** at 31 December 2016 was net debt of Euro 44.474 million compared to net debt of Euro 17.845 million at 31 December 2015. The increase in net debt was primarily due to the decrease in operating cash flows from net working capital following payments made to some exhibition organisers and it also reflected the different exhibition calendar.

**Investments** at 31 December 2016 totalled Euro 7.588 million and the breakdown was as follows

(€'000)	Full year at 31.12.2016	Full year at 31.12.2015
Intangible fixed assets	3,045	1,008
Tangible fixed assets	881	1,364
Financial fixed assets	3,662	7,777
<b>Total investments in non-current assets</b>	<b>7,588</b>	<b>10,149</b>

**Investments in intangible fixed assets** totalled Euro 3.045 million and related mainly to the acquisition of exhibition trademarks, the implementation of digital projects, and the acquisition of software.

**Investments in tangible fixed assets** were Euro 0.881 million mainly for stand and equipment for exhibitions, plant and equipment and improvements to the Rho exhibition site.

**Investments in financial fixed assets** totalled Euro 3.662 million and were mainly for the acquisition of 51% of La Fabbrica del Libro and the conversion into equity of loans given to Eurofairs International Consultoria e Participações Ltda and Fiera Milano Exhibitions Africa Pty.

Information on related-party transactions is provided in Note 44 of the Explanatory and Supplementary Notes to the Fiera Milano SpA Financial Statements.



# Fiera Milano SpA personnel

## Composition and turnover

The Company had 408 permanent employees at 31 December 2016 and the breakdown compared to the previous financial year was as follows:

Permanent employees at year end (units)	31.12.2016	31.12.2015
Executives	22	26
Middle management and White collar workers	386	398
<b>Total</b>	<b>408</b>	<b>424</b>

There was a decrease of 16 permanent employees compared to the previous year.

Seventeen persons joined the Company, six of which were to strengthen the marketing department, two in the management support team and nine were interns who became permanent employees as part of the policy to take on junior employees who have first done an internship. 33 persons left the Company of which 17 took early retirement, six resigned voluntarily, five left having signed an employment termination agreement, one transferred to another company, three were dismissed and one left because the protected employment period had been exceeded. The personnel that left were from the marketing and the operations departments.

The turnover ratio of employees, calculated as the difference between those joining and those leaving the Company as a percentage of the average number of employees, was 12.2% in 2016 compared to 10.4% in 2015.

Movement in employees	2016	2015
New employees	17	16
Leavers	33	29
Employee turnover	12.2%	10.4%
Internal mobility	26	62





Fiera Milano SpA employs staff on fixed-term contracts during the peaks of activity in the exhibition calendar and for extraordinary projects. Employees on fixed-term contracts went from 17 in 2015 to 16 in 2016, including two temporary managers.

Fixed-term contracts	Full year at 31.12.2016	Full year at 31.12.2015	Change
Executives	2	1	1
White collar workers	14	16	(2)
<b>Total</b>	<b>16</b>	<b>17</b>	<b>(1)</b>

Through agreements with the Milan Polytechnic, the Bocconi University, the Università Cattolica del Sacro Cuore, Iulm University, the Università degli Studi di Milano, the Università degli Studi di Milano Bicocca, the Sole 24 ore Business School, the Istituto Europeo di Design, the Università Carlo Cattaneo –LIUC, Fondazione Fiera Milano and Fondazione Le Vele, Fiera Milano SpA gave work experience in 2016 to 37 persons allocated to various Company departments (Marketing, Organization and Human Resources, Operations, Commercial Department, Customer Care, the Administration and Technical department). The average length of these internships was six months.

Part-time employees went from 47 in 2015 to 55 in 2016; 44 were horizontal part-time employees and 11 were vertical part-time employees.

Employees of Fiera Milano SpA can be divided into three main categories:

- executives with a managerial role.
- middle management with specialist roles.
- office staff and technical support staff.

Fiera Milano SpA has no manual workers as it outsources all activities for providing exhibition and setting-up services.

A breakdown by length of service in Fiera Milano SpA indicates the strong employee loyalty to the Company and confirms the figures for the previous financial year. The following table gives a breakdown of employees by length of service:

Breakdown by length of service	31.12.2016	31.12.2015
< 10 years	28%	32%
From 10 to 20 years	47%	40%
> 20 years	25%	28%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Governing employment contracts

### National Collective Employment Agreement

Fiera Milano SpA uses the National Collective Employment Agreement for employees of companies in the tertiary, distribution and services sectors and also a supplementary company contract for non-executive employees; this was renewed in June 2013 and ran until 31 May 2016 when it was extended until 31 December 2017.



Fiera Milano SpA – in an economic scenario that remains difficult – has strengthened its focus on its employees by identifying alternative ways of enhancing their wellbeing while, at the same, containing the costs to the Company.

The success of the Corporate Welfare Plan continued in 2016; this plan incorporates benefits, personal services and services to ensure an optimum work-life balance. The Company has set aside an equal sum for each employee to be used on these benefits. The “WellFair” plan is accessible on-line and permits employees to choose the services that best suit them from amongst those identified by the Company under the provisions of prevailing law. It allows each individual to construct his/her own benefit package and to manage it as he/she sees fits until the credit allocated him/her has been exhausted.

## Equal opportunities and non-discrimination

Fiera Milano SpA considers diversity and equal opportunities to be extremely important and this is expressed in its *Code of Ethics*, which states:

*Fiera Milano offers all workers the same employment opportunities, operating in such a way as to ensure that all of them enjoy equitable treatment based on criteria of merit without any discrimination.*

*The competent functions must:*

- *Adopt merit, skill, and in all cases, strictly professional criteria for any decision concerning an employee;*
- *Select, hire, train, pay and manage employees without discrimination;*
- *Create a work environment where personal characteristics cannot give rise to discrimination*

*Fiera Milano interprets its entrepreneurial role in the protection of both work conditions and of the worker's psychological and physical integrity, respecting his/her moral personality, and preventing the latter from suffering illicit influences or undue difficulties.*

In particular, with regard to the employment of women, Fiera Milano SpA prepares a biennial report on gender equality in hiring employees, training, promotion and other factors so as to have an overview of gender equality amongst its employees as required by Legislative Decree no. 198 of 11 April 2006.

In 2016, female employees numbered 257 representing 63% of total employees.

## Safety

The safety of all its employees is mandatory for Fiera Milano SpA and it makes significant investments to ensure their safety. In 2016 health and safety training was given to those with technical roles in the Company.



## Training

The 2016 training programme of Fiera Milano SpA aimed to support the business functions by offering courses in professional and personal growth.

To continue to meet the changing legal requirements, training courses were held on workplace health and safety, first aid, fire safety, the use of defibrillators, and specific courses for the RSPP – *Responsabile Servizio Prevenzione e Protezione* [Health and Safety Service Manager] qualification.

Specialist short courses were held on areas of particular interest to the administrative, corporate, commercial, communications, and operations departments focused on keeping abreast of the continuous changes in the market and the business.

Fiera Milano SpA also continued its coaching for Company personnel whose role and responsibilities had changed in order to identify personal successes that could be used in the new challenges faced.

Fiera Milano SpA has tried out a new fast-track coaching system with the aim of detecting the source of potential problem situations, plan subsequent measures and identify concrete targets for a personal solution to problems that involve an awareness by employees of their own potential.

A new e-Learning platform was introduced to engender and disseminate an entrepreneurial culture and incentivise employees to keep updated and share acquired skills.

The first course, entitled *Progetti e Risultati* [Projects and Results], focused on project management, essential for the introduction of innovative business solutions. The course had a blended learning structure that alternated classroom activity with training modules on the various phases of project management based on the study of successful cases. The course included an internal group project to use the methods learnt to prepare and present an efficiency plan to the head of a department.

The e-Learning platform was also enhanced by the inclusion of training modules aimed at broadening computer competences (excel, power point, word, Lynce Microsoft Office 365) and with presentations prepared by colleagues for the monthly meetings – “in 60 minutes” – open to all employees and covering matters of interest to the Company, for example, the Financial Statements following the Shareholders’ Meeting, how to understand the pay slip, use of social media to improve the brand, the Report on Sustainability, and road safety.

e-Learning has also been chosen as a means of running English language courses to be held in the first half of 2017; it will use different learning techniques that include videos, articles, exercises, workshops and telephone conversations.

The Company, in conjunction with Quadrifor (*Istituto bilaterale per la formazione dei Quadri del Terziario*) has organised an intercompany course on digital coaching.

The aim of this course is to provide knowledge of new digital methods and the importance of digital capabilities and provide personnel with individual and team coaching methods to promote personal development and train personnel to attain new digital standards.

The 42 Fiera Milano training programmes involved approximately 391 employees for a total of 3,103 hours.



## Other information

### 1. Equity investments held by members of the Administrative and Control Bodies and by General Managers and Executives with strategic responsibilities

The table below shows equity investments in Fiera Milano SpA and its subsidiaries held by members of the Administrative and Control Bodies, the General Managers and Executives with strategic responsibilities, as well as by their spouses not legally separated and children that are minors, directly or through subsidiary companies, trust companies or intermediaries that appeared in the shareholders' register at 31 December 2016 or from communications received or information obtained directly from the relevant parties.

Name and surname	Position	Company in which shares are held	No. of shares held at 31.12.2015	No. of shares acquired	No. of shares sold	No. of shares held at 31.12.2016
<b>Directors<sup>(*)</sup></b>						
Roberto Rettani <sup>(**)</sup>	Chairperson	Fiera Milano SpA	-	50,000	-	50,000
Attilio Fontana	Deputy Vice Chairperson	Fiera Milano SpA	-	-	-	-
Licia Ronzulli	Vice Chairperson	Fiera Milano SpA	-	-	-	-
Corrado Peraboni <sup>(***)</sup>	Director	Fiera Milano SpA	8,250	7,000	-	15,250
Joyce Victoria Bigio	Director	Fiera Milano SpA	-	-	-	-
Renato Borghi	Director	Fiera Milano SpA	-	-	-	-
Pier Andrea Chevallard	Director	Fiera Milano SpA	-	-	-	-
Romeo Robiglio	Director	Fiera Milano SpA	-	-	-	-
Vincenza Patrizia Rutigliano	Director	Fiera Milano SpA	-	-	-	-
<b>Statutory Auditors<sup>(*)</sup></b>						
Federica Palmira Nolli	Chairperson	Fiera Milano SpA	-	-	-	-
Antonio Guastoni	Standing Statutory Auditor	Fiera Milano SpA	-	-	-	-
Carmine Pallino	Standing Statutory Auditor	Fiera Milano SpA	-	-	-	-

No. of Executives with strategic responsibilities	Company in which shares are held		No. of shares held at 31.12.2015	No. of shares acquired	No. of shares sold	No. of shares held at 31.12.2016
Strategic Executives in charge	Fiera Milano SpA	no. 1	-	-	-	-
Strategic Executives no longer in office	Fiera Milano SpA	no. 1	-	-	-	-

(\*) The mandates of the Board of Directors and of the Board of Statutory Auditors were given by the Shareholders' Meeting of 29 April 2015 and will expire with the Shareholders' Meeting to approve the Financial Statements at 31 December 2017.

(<sup>o</sup>) On 13 January 2017, the majority of the Board Directors resigned their responsibilities with effect from the date of the Shareholders' Meeting convened to approve the Financial Statements at 31 December 2016 thereby causing the dissolution of the entire Board of Directors.

(<sup>\*\*</sup>) Following the resignation of the Chief Executive Officer, Mr Peraboni, on 13 January 2017, the Board of Directors gave the powers for the ordinary management of the Company to the Chairperson, Mr Rettani.

(<sup>\*\*\*</sup>) Mr Peraboni was the Chief Executive Officer of the Company until his resignation on 13 January 2017.

No person in the above table holds shares in the subsidiary companies of Fiera Milano SpA.



# Report on corporate governance and ownership structure at 31 December 2016

In this Report on Corporate Governance and Ownership Structure (hereinafter the “**Report**”), Fiera Milano S.p.A. (hereinafter the “**Company**” or “**Fiera Milano**”) provides an account of its corporate governance system, information regarding the ownership structure, and disclosure on its compliance with the recommendations under the principles and application criteria of the Borsa Italiana **Self-regulatory Code** of Listed Companies, as amended in December 2011, July 2014, and in July 2015 (hereinafter the “Self-regulatory Code”). The term corporate governance is used to identify the body of rules and procedures used to manage and control joint stock companies. An effective and efficient corporate organisation model must be capable of using the correct means to manage the business risks and potential conflicts of interest that can arise between Directors and shareholders and between shareholders with a controlling interest and those with a non-controlling interest in the Company. These aspects are of even greater significance in listed companies with a wide shareholder base.

The indications given by Borsa Italiana in the *Format for the Report on Corporate Governance and Ownership Structure* issued in January 2017 have been taken into account in the preparation of this Report.

## 1. Administration order under Article 34 of Legislative Decree 159/2011

In order to provide greater understanding of the reference context, the following paragraphs summarise the main events connected to the administration orders issued to Fiera Milano and its subsidiary Nolostand S.p.A. (hereinafter “**Nolostand**”).

Subsequent Sections of the present Report and, in particular, Section 13 – Changes subsequent to the end of the financial year under review, provide further information on the implications for the governance of the Company.

\* \* \* \*

On 6 July 2016, Nolostand, a subsidiary of Fiera Milano operating in the stand-fitting sector, was notified of an order by the Milan Court – Prevention Court Independent Section placing it under Administration under Articles 34 and following of Legislative Decree 159/2011 (anti-mafia laws and prevention measures, including new provisions covering anti-mafia documentation in accordance with Articles 1 and 2 of Legislative Decree of 13 August 2010 no. 136), for a period of six months due to its contractual relations with a supplier.

On 11 October 2016, Fiera Milano was also issued with a similar order from the Milan Court – Prevention Court Independent Section placing it under Administration for a period of six months although this order was limited to the “exhibition stand-fittings” business division. In accordance with the Court order, the Court-appointed Administrator of Nolostand, Mr. Piero A. Capitini, collaborated with the executives of Fiera Milano in authorising the termination of contracts and the stipulation of new contracts and orders with suppliers in the aforementioned operating area for amounts in excess of Euro 10,000. In October 2016, at the request of the Court-appointed Administrator, the Milan Court clarified certain aspects of its decision and detailed the roles and responsibilities of the Court-appointed Administrator and the boundaries of the “exhibition stand-fitting” sector.



Subsequently, at the end of the first hearing on the above matter held on 22 November 2016, the Milan Court ordered that the aforementioned Administration procedures be unified as they involved matters that were closely connected.

On 1 December 2016, Fiera Milano communicated to the market that, together with its subsidiary Nolostand, it had requested that it be allowed to bring a civil action at the first hearing of the accelerated legal proceedings against certain persons connected with the “Consorzio Dominus” (a supplier of Nolostand, links with which had given rise to the current circumstances) for aggravated fraud aimed at facilitating the mafia.

On 20 December 2016, the Milan Court – Prevention Court Independent Section extended for a further six months the Administration order for Nolostand that was due to expire on 5 January 2017.

\* \* \* \*

Information on the effects of the Administration orders described above on the corporate governance of the Company is provided in the relative paragraphs of the present Report.

The Company gave immediate notice to the market of the Administration order and agreed to collaborate fully with the Court-appointed Administrator.

## 2. Description of the Issuer

Fiera Milano, an issuer of shares listed on the Italian Equity Market (MTA – Mercato Telematico Azionario) regulated by Borsa Italiana S.p.A. (hereinafter “**Borsa Italiana**”), uses a corporate governance system that meets the requirements of enacted laws, existing regulations and those of the Borsa Italiana Self-regulatory Code.

The Company uses a traditional administration and control model based on the existence of a Board of Directors and a Board of Statutory Auditors.

The Company qualifies as a Small and Medium Enterprise (hereinafter “**SME**”) under Article 1, paragraph 1, section w-quater of Legislative Decree of 24 February 1998 no.58 (hereinafter the “**Consolidated Finance Act**”).

\* \* \* \*

It should be noted that, following the Administration orders described in the Foreword, on 4 November 2016, the Board of Directors approved that a request be made to Borsa Italiana for the voluntary withdrawal of the Company shares from the Segment of the Italian stock market for companies that meet the highest requirements of Borsa Italiana (the STAR segment) whilst maintaining their listing on the MTA. Following receipt of the formal request from the Company, on 7 November 2016, Borsa Italiana formally withdrew Fiera Milano from the STAR segment effective from 15 November 2016.

However, the Company has stated that it will continue to adhere to the corporate governance, information transparency, and liquidity requirements that are the qualitative standards of the STAR segment and that it intends to request Borsa Italiana to include again its shares in the STAR segment when the aforementioned Administration order ends.

\* \* \* \*



### 3. Disclosure on the ownership structure

#### Share capital

The paid in share capital is Euro 42,445,141.00 (forty-two million four hundred and forty-five thousand one hundred and forty-one) and comprises 71,917,829 (seventy-one million nine hundred and seventeen thousand eight hundred and twenty-nine) registered shares with no nominal value.

The increase in the share capital is the result of the Rights Issue that commenced in 2015 and was completed in 2016.

On 31 July 2015, the Extraordinary Shareholders' Meeting approved a share capital increase on a paid basis and in divisible form for a total maximum amount, inclusive of any share premium, of Euro 70 million to be offered to holders of the shares in accordance with Article 2441, paragraph 1, of the Italian Civil Code through the issue of new ordinary shares with normal entitlement and identical in character to the shares already in circulation at the time of issue, to be carried out within a period of 12 months from the date of approval granted by the Shareholders' Meeting.

The Extraordinary Shareholders' Meeting also granted the Board of Directors all necessary powers to decide, nearer to the date of the transaction, the final amount of the share capital increase, the number of ordinary shares to be issued, the rights option ratio and the issue price, as well as the timing of the share capital increase.

The Extraordinary Shareholders' Meeting also approved the cancellation of the nominal value of the shares.

In accordance with the mandate granted it by the Extraordinary Shareholders' Meeting of 31 July 2015, the Board of Directors, on 26 November 2015, approved the final terms of the Rights Issue and subsequent offer of unsubscribed rights and the relative timetable.

In detail, the Board of Directors approved the issue of a maximum of 31,126,821 ordinary Fiera Milano shares with no indication of nominal value with normal entitlement and identical in character to the shares already in circulation at the time of issue to be offered to existing shareholders at Euro 2.245 per share (of which Euro 0.01 to be assigned to share capital and Euro 2.235 to be the share premium) in the ratio of three new Fiera Milano shares every four Fiera Milano shares held, for a maximum total of Euro 69,879,713.

29,770,392 ordinary shares were subscribed in the Rights Issue. This was equal to 95.64% of the total shares offered and was for a total value of Euro 66,834,530.

The Company Articles of Association including the amendments to Article 5 – regarding the new amount of the share capital – are available on the Company website [www.fieramilano.it](http://www.fieramilano.it) in the section *Investor Relations/ Corporate Governance/ Articles of Association*.

Details of the Rights Issue are given in the Prospectus and in the Supplement to the Prospectus and in other documentation available on the Company website [www.fieramilano.it](http://www.fieramilano.it) in the section *Investor Relations/ Rights Issue*.

The shares are indivisible and each carries one voting right except in the case of treasury shares held directly and indirectly, which do not have this right.



The Company has issued no other financial instruments with rights to subscribe to newly issued shares.

At 31 December 2016, the Company had no share-based incentive plans involving an increase, even without payment, of the share capital. Although there is no mandate for a share capital increase, the Shareholders' Meeting of 28 April 2016 approved the 2017-2023 Stock Option Plan aimed at using up to a maximum of one million treasury shares. Further information is given in the Report on Remuneration prepared in accordance with 123-ter of the Consolidated Finance Act.

### Restrictions on the transfer of shares

There are no restrictions on the transfer of shares.

### Significant shareholdings

The Company is classified as a SME and, therefore, under Article 120, paragraph 2, of the Consolidated Finance Act the relevant level for the communication of significant shareholdings is 5%.

According to the shareholders' register and communications received pursuant to Article 120 of the Consolidated Finance Act, the shareholders that at 10 March 2017 held, directly or indirectly, shares equal to 5% or more of the share capital were as follows:

Declarant	Direct shareholder	No. of shares	% of ordinary share capital	% of voting capital
<b>Fondazione E.A.Fiera Internazionale di Milano</b>	Fondazione E.A.Fiera Internazionale di Milano	45,898,995	63.821	64.666
	<b>Total</b>	<b>45,898,995</b>	<b>63.821</b>	<b>64.666</b>
<b>Camera di Commercio Industria Artigianato e Agricoltura di Milano</b>	Parcam S.r.l.	4,689,316	6.520	6.607
	Camera di Commercio Industria Artigianato e Agricoltura di Milano	1	0.000	0.000
	<b>Total</b>	<b>4,689,317</b>	<b>6.520</b>	<b>6.607</b>

### Shares with special rights

No shares with special rights have been issued.

### Employee stock options: mechanism for exercising rights

At 31 December 2016, there were no employee stock option plans.





## Restrictions on voting rights

There are no restrictions on voting rights.

## Shareholder agreements

There are no shareholder agreements as under Article 122 of the Consolidated Finance Act.

## Change of control clauses and provisions in the Articles of Association regarding tender offers

There are no changes to control clauses pursuant to Article 123-*bis*, paragraph 1, section h) of the Consolidated Finance Act.

As regards tender offers, the Company's Articles of Association meet current regulations on the passivity rule and do not provide for the application of the neutralisation measures under Article 104-*bis*, paragraphs 2 and 3 of the Consolidated Finance Act.

## Mandates to increase the share capital and authorisations for the acquisition of treasury shares

In the course of the 2016 financial year, the Shareholders' Meeting gave the Board of Directors no mandate to increase the share capital under Article 2443 of the Italian Civil Code.

The Ordinary Shareholders' Meeting of 28 April 2016 gave the Board of Directors authority to acquire treasury shares for a period of 18 months. The authorisation stipulated that (i) the maximum number of shares acquired, including those already owned by the Company and its subsidiaries, could not exceed 20% of the share capital of the Company, (ii) the acquisition price of the shares could be not be 10% higher or 10% lower than the reference price of the shares on the Italian stock market or the trading day preceding any single transaction, (iii) shares could be disposed of in one or more transactions even before the authority to acquire the shares had been completed, and (iv) the disposal price could not be lower than the lowest price at which the shares were acquired; this restriction on the disposal price does not apply if the shares are disposed of as part of a stock option plan.

On 24 June 2016, Fiera Milano communicated to the market that it had begun the buy-back of shares under the aforementioned authority granted by the Ordinary Shareholders' Meeting on 28 April 2016. The buy-back was concluded on 4 November 2016.

Using the aforementioned authority, 249,010 shares were acquired at an average price of approximately Euro 1.58 per share for a total value of Euro 464,383.

At the date of this Report, Fiera Milano SpA holds directly and indirectly 939,018 treasury shares, equal to 1.31% of the share capital.

Of the total figure for treasury shares, 626,758 shares that are held directly were acquired before the 2016 financial year under previous authorisations given to the Board of Directors and 18,250 treasury shares are held indirectly through Ipack Ima S.p.A. following the acquisition of the latter during 2015.

\* \* \* \*



## Direction and coordination

As approved by the General Council of its controlling shareholder Fondazione Ente Autonomo Fiera Internazionale di Milano on 26 July 2004, Fiera Milano has organisational and management autonomy and is not subject to any direction or coordination, pursuant to Article 2497 and following of the Italian Civil Code, by the controlling company.

Any presumption of direction and coordination is negated by the fact that Fondazione Ente Autonomo Fiera Internazionale di Milano exerts no decisive influence on the long-term strategic plans or annual budgets of Fiera Milano or on its investment decisions, nor does it determine its policies regarding the acquisition of goods and services on the market, or coordinates any business initiative or activity in the sectors in which the Company and its subsidiaries operate.

## 4. Compliance

Fiera Milano adheres to the Self-regulatory Code, approved by the Corporate Governance Committee of Borsa Italiana in March 2006 and as modified in December 2011, July 2014 and again in July 2015.

The Self-regulatory Code is publicly available on the website of the Committee for Corporate Governance at <http://www.borsaitaliana.it/comitato-corporategovernance/codice/2015clean.pdf>.

The governance structure of Fiera Milano is not affected by the legal provisions of countries other than Italy.

## 5. Board of Directors

The Board of Directors has a central role in the Company organisation and is responsible for its activities and its strategic and operating guidelines, as well as for verifying that the necessary controls exist to monitor Company and Group performance.

### Appointments and replacements

As required by law and by the Company's Articles of Association, the appointment of members of the Board of Directors is made from lists presented by shareholders who, either alone or in association with other shareholders, hold shares with voting rights that represent at least 2.5% of the shares with voting rights in ordinary shareholders' meetings, as required by both the Company's Articles of Association and by Consob Resolution no. 19856 of 25 January 2017. The lists must be deposited at the registered office of the Company at least twenty-five days preceding the date set for the first convocation of the Shareholders' Meeting and must be made publicly available at least twenty-one days prior to this date in compliance with enacted regulations. Ownership of the minimum amount required to present lists is based on the shares that are registered to the shareholder on the day on which the lists are deposited with the Company. To prove ownership of the minimum number of shares required to present lists, the Shareholders must provide within the time required for the publication of the lists by the Company the relative certification released by authorised intermediaries in accordance with law.



Each list must be accompanied, within the aforementioned time, by (i) information concerning the identity of the shareholders that have presented the list and the percentage of the company held by these shareholders, (ii) statements in which each candidate agrees to be a candidate and declares that there is no cause that would make them ineligible or incompatible and that they meet the necessary requirements under enacted law to be appointed, including any requirements of independence as established by the Statutory Auditors and as required by law and by the Self-regulatory Code (iii) a *curriculum vitae* of the business career of each candidate, indicating directorships and executive positions held.

It is also a legal requirement that at least one Director be appointed from the list with the greatest number of votes presented by minority shareholders and which is in no way connected, even indirectly, with the shareholders who presented, or joined together to present, or voted for the list that received the highest number of votes.

With reference to the appointment and replacement of members of the Board of Directors, in accordance with the requirements of Article 147-*ter*, paragraph 1-*ter*, of the Consolidated Finance Act and Article 144-*undecies* 1 of the Consob Regulation approved with Resolution 11791 of 14 May 1999 and subsequent amendments and modifications (hereinafter the “**Listing Rules**”), requires that:

- the number of Directors respects the principle of gender balance and guarantees that the least represented gender has at least one third of the seats on the Board;
- the way in which the lists are drawn up and the substitution mechanisms for replacing persons during their mandate guarantee that the approved principle of gender balance is adhered to;
- the mechanisms used should the elected body not respect the approved principle of gender balance ensure that some or all of the last three persons elected from the list that obtained the highest number of votes and that are of the gender most represented must step down to ensure the principle of gender balance and be replaced by the first persons that failed to be elected on the same list that belong to the less represented gender.

Under the Company’s Articles of Association at least one of the members of the Board of Directors, or two members if the Board is made up of more than seven members, must have the requisites of independence required of Statutory Auditors under prevailing law (Article 148 of the Consolidated Finance Act).

For information purposes the entire section of the Company’s Articles of Association regarding the aforementioned principle are available on the Company website [www.fieramilano.it](http://www.fieramilano.it) in the section *Investor Relations/ Corporate Governance/ Articles of Association*.

Furthermore, Fiera Milano SpA, in accordance with the requirements for companies that are part of the STAR segment of the Italian Equity Market, has two independent Directors in a Board of Directors of up to eight members, three independent Directors in a Board of Directors of between nine and a maximum of fourteen members, and at least four independent Directors in a Board of Directors with more than fourteen members. The Self-regulatory Code also recommends that an adequate number of independent Directors are appointed to the Board of Directors by applying the principles and criteria under articles 2 and 3 of the aforementioned Self-regulatory Code.



- As indicated in the Self-regulatory Code, a Director of a listed company is not normally considered independent if:
- a) the Director, directly or indirectly, even through a subsidiary, fiduciary company or intermediary person, controls the issuer or is capable of exercising significant influence over it, or is part of a shareholding agreement through which one or more parties can exercise control or have a significant influence over the issuer;
  - b) a Director has, or has held in the previous three financial years, a significant role (Chairperson, Executive Director, executive with strategic responsibilities) in the issuer or in one of its subsidiaries of strategic importance or in a company which is subject to common control by the Company, or in a company or entity which, also with others through a shareholding agreement, controls the issuer or is capable of exercising significant influence over it;
  - c) in the preceding financial year, the Director has or has had, directly or indirectly, a significant business, financial or professional relationship with:
    - the issuer, one of its subsidiaries or any of its top management;
    - someone who, also together with others through a shareholding agreement, controls the issuer, or – if a company or entity – is connected with any of the relevant top management;or who is, or in the last three financial years has been, an employee of any of the aforementioned entities;
  - d) a Director receives or has received in the previous three financial years from the issuer, or one of its subsidiaries or from a parent company, significant additional remuneration to the compensation agreed for a non-executive Director of the issuer or remuneration for being a member of a committee recommended in the Self-regulatory Code, including any incentive plans linked to company performance, comprising those that are share-based;
  - e) a Director has been a Director of the issuer for more than nine of the previous twelve years;
  - f) a Director is an executive Director in another company in which an executive Director of the issuer is also a Director;
  - g) a Director is a shareholder or Director of a company or entity belonging to the group of the company that is appointed as legal auditor to the issuer;
  - h) a Director is closely related to a person in any of the situations described above.

## Succession plans

The Company has not adopted a formal plan for the succession of the Chief Executive Officer as the professional characteristics present within the Board of Directors and in the present management ensures continuity of the operational management of the Company.

For these reasons, with reference to the events described in Section 13 of the present Report, an evaluation of the merits of adopting such plans will be discussed following the appointment of the new Board of Directors.

## Composition

The Board of Directors in office at 10 March 2017 was appointed by the Shareholders' Meeting of 29 April 2015 from a single list presented by the majority shareholder, Fondazione Ente Autonomo Fiera Internazionale di Milano, to hold office until the approval of the Financial Statements at 31 December 2017 (Table 1 attached to the present Report gives the structure of the Board).

However, as described in Section 13, on 13 January 2017, the majority of the Directors resigned with effect from the date of the Shareholders' Meeting to approve the Financial Statements at 31 December 2016 thereby



forcing the retirement of the entire Board of Directors. Section 13 also gives details of changes to the internal committees of the Board that took place at the start of 2017.

The Board is composed of nine Directors. A brief *curriculum vitae* for each Director in office at 10 March 2017 giving his/her main personal and professional details, as well as a list of positions held is given below.

- **Roberto Rettani**, Chairperson, with the authority for the ordinary management of the Company given him on 13 January 2017, has held this office since 29 April 2015 (**Executive Director**).  
Born in Milan on 16 February 1953, Mr Rettani graduated in Industrial Chemistry from the Università Statale of Milan and did an MBA at the Luigi Bocconi University. In 2010 he founded Syneresis S.r.l., a consultancy company in the healthcare sector, and since that date has been its Chairman and Chief Executive Officer. He has over thirty years' experience in large Italian and foreign companies in the chemicals and pharmaceuticals sectors: from 2005 until 2008 he was Managing Director and CEO of Bracco Imaging S.p.A.; from 1999-2005, he was Managing Director and CEO of Zambon Group S.p.A.; from 1995-1999 he was Managing Director and CEO of Antibioticos S.p.A.; from 1994-1995 he was Group Director Planning & Strategy of Montedison S.p.A., a company in which he had previously been a member of the Steering Committee. From 1988-1995 he was Chief Executive Officer of Himont S.p.A. having previously been the Finance Director of Himont Incorporated. From 2005-2012 he was Chairman of the Chemicals Group of Assolombarda and also a Council member. His other appointments include President of the Carlo Erba Foundation and member of the Scientific Advisory Board of the Filarete Foundation. Since October 2015 he has been Chairman of Impact LaB S.r.l. He is also a Board member of Lissapharma SpA and the Chairman of Italchimici SpA.
- **Attilio Fontana**, Deputy Vice Chairperson and Director since April 2009, an independent Director under Article 148, paragraph 3 of the Consolidated Finance Act and under the Self-regulatory Code (**independent Non-executive Director**).  
Born on 28 March 1952 in Varese, Mr Fontana is a graduate in law and owns a legal studio that he set up in 1980. Since 1988 he has been a lawyer entitled to represent clients in the Court of Cassation. From 1983-1989 he was an honorary district judge. He was a member of the Advocates and Procurators Council of Varese for three mandates and is registered in the Register of Auditors of Accounts. Since 1995 he has held numerous institutional appointments.
- **Licia Ronzulli**, Deputy Chairperson and Director since 29 April 2015, an independent Director under Article 148, paragraph 3 of the Consolidated Finance Act and under the Self-regulatory Code (**independent Non-executive Director**).  
Born in Milan on 14 September 1975, Ms Ronzulli took a Masters degree in Health Management and from 2003-2009 was responsible for coordinating the health professions within the IRCCS – Istituto Ortopedico Galeazzi of Milan (the San Donato Hospital Group). From 2009-2014 she was a member of the European Parliament and a member of the Committee for Employment and Social Affairs. She also became a member of the Committee for Environment, Public Health and Food Safety. Since 2004, she has worked with the international non-profit organisation, ONLUS Smile Project in the World, travelling several times to Bangladesh with a surgical team specialising in the treatment of children with physical abnormalities. She is a consultant, manager and instructor in Corporate Welfare, Work-life Balance and Social Innovation.
- **Joyce Victoria Bigio**, Director since 29 April 2015, an independent Director under Article 148, paragraph 3 of the Consolidated Finance Act and under the Self-regulatory Code (**independent Non-executive Director**).  
Born in Norfolk, Virginia (USA), in 1954, Ms Bigio graduated in Economy and Commerce from the University of Virginia in Charlottesville (USA) in 1976. From 1976-1986 she worked for Arthur Andersen & Co both in Milan and Washington becoming a Senior Audit Manager. From 1986-1990, she was responsible for



setting up and implementing the management control system at Euromobiliare SpA in Milan; in 1990 she joined The Waste Management Group, a company with offices in both London and Milan, first as a Finance Manager for Europe and later as Controller of Mergers & Acquisitions. For three years from 1995 she was Director General of American International Bakeries in Milan and in 1998 became the Finance Director and a Board member of the Italian and Swiss subsidiaries of Sotheby's auction house. In 2002 she founded International Accounting Solutions Srl where she is currently a Managing Partner. She has been a non-executive independent board Director of Fiat SpA, as well as a member of the Committee for Control and Risks and the Appointments Committee until the effective merger by incorporation of Fiat S.p.A. into Fiat Investments N.V.

She has also been an independent Director of Gentium S.p.A., a pharmaceutical company listed on NASDAQ, and of Simmel Difesa S.p.A. Since 2014 she has been an independent Board member and Chairperson of the Committee for Control and Risks of RAI WAY SpA. In 2015, she was an independent Director and Chairperson of the Committee for Control and Risks of Veneto Banca S.c.p.a..

- **Renato Borghi**, Director since 2006, an independent Director under Article 148, paragraph 3 of the Consolidated Finance Act and under the Self-regulatory Code (**independent Non-executive Director**). Born on 30 October 1948 in Milan, Mr Borghi is the Managing Director of Pellux S.r.l. He is also Deputy Chairman of Confcommercio Nazionale; Deputy Vice Chairman of Confcommercio Lombardia. He is the National Chairman of Federazione Moda Italia and the Provincial Chairman of Federmodamilano, both entities that represent companies in the retail and wholesale distribution of textiles, garments, furnishings, shoes, leather goods, travel goods and accessories.
- **Pier Andrea Paolo Edoardo Chevallard**, Director since 2010, an independent Director under Article 148, paragraph 3 of the Consolidated Finance Act and under the Self-regulatory Code (**independent Non-executive Director**). Born on 24 May 1951 in Turin, Mr Chevallard graduated in Political Sciences from the University of Turin. Since January 2015, he has been CEO and General Director of Tecnoinvestimenti SpA. From November 2001 – December 2014, he was Secretary General of the Artisan and Agriculture Industries within the Chamber of Commerce of Milan. He is also Chief Executive Officer of Parcam Srl, Tecno Holding S.p.A., Ribes S.p.A., and ASSICOM S.p.A..
- **Corrado Peraboni**, Chief Executive Officer since 29 April 2015 (**Executive Director**); until 13 January 2017 he was the Chief Executive Officer of the Company. Born in Monza on 2 June 1964, Mr Peraboni is a graduate in law from the Università degli Studi of Milan. He is currently the Incoming President of UFI, the Global Association of the Exhibition Industry. From 2001-2014 he was the Vice President of the European Chapter of UFI and from 2004 – 2008 was simultaneously International Vice President of UFI and President of the European Chapter. From July 2012 – May 2015, he was a Director of Arexpo S.p.A.; from 2000-April 2015, he was Director General of Ente Autonomo Fiera Internazionale di Milano. From 1996-1999, he was a member of the General Council and Executive Council of Ente Autonomo Fiera Internazionale di Milano. Within the Fiera Milano Group he has been Chairman and Chief Executive Officer of Edizioni Fiera Milano S.p.A. (1997-2000); Chairman and Chief Executive Officer of Rassegne S.p.A. (1998-2000); a Board director of Fiera Milano International S.p.A. (2003-2007); Sole Director of Quartiere Fiera S.r.l. (2003-2012); a member of the Board of Directors of Villa Erbe S.p.A. (2001-2014); and Chief Executive Officer of Expo CTS (2007-2009). He has also held several institutional offices: in 1992 he was elected to the Chamber of Deputies and was re-elected again in 1994; he has been a member of the Production Activity Commission, the Commission for Regional Affairs, and the cross-Chamber Committee overseeing the Cassa Depositi e Prestiti.



- **Romeo Robiglio**, Director since 2003 (**non-executive Director**).  
Born in Montechiaro d'Acqui (Alessandria) on 20 January 1931, Mr Robiglio became the Deputy Director of the Milan headquarters of Credito Italiano in 1976 and from 1978-2003 was the Managing Director of Gruppo Siti Novara, a group of companies in the mechanical engineering sector. He has been a Director and member of the Executive Committee of Fondazione Cariplo (1998-2001) and of Intesa Asset Management (2000-2003). In 2001-2004, he was also Deputy Chairman of the Industrial Association of Novara and from 2004-2007 was appointed a board Director of Esatri S.p.A., a company that is part of the Intesa San Paolo Group. He is currently a Director of Sirefid S.p.A., a company of the Intesa San Paolo Group.
  
- **Vincenza Patrizia Rutigliano**, Director since 29 April 2015, an independent Director under Article 148, paragraph 3 of the Consolidated Finance Act and under the Self-regulatory Code (**independent Non-executive Director**).  
Born in Barletta on 25 February 1968, Ms Rutigliano graduated in Foreign Languages and Literature. Since 2009, she has been the Director of Institutional Relations and Communications at Snam, one of the main European companies in the management of natural gas infrastructure. Since 2011, she has also been the President of FERPI, the Italian Public Relations Federation. From 2004-2009, she was Director of Communications at Autogrill and from 2001-2004 was the external relations Officer for Fastweb and Press Officer for e.Biscom. From 1997-2001 she was the spokesperson of the City of Milan. A specialist in Social Communications, she has been a professional journalist since 1997. In 2008 she was Director of the course for the Masters degree in Media Relations at the Alta Scuola in Media Comunicazione e Spettacolo of the Università Cattolica del Sacro Cuore in Milan. Since 2012 she has been a member of the Steering Committee of the Department of Political Sciences of the Università LUISS Guido Carli di Roma. She is a member of the General Council of Assolombarda and the Committee for the Milano Expo 2015 Brand. She is a member of the Board of Directors of Toscana Energie and of Il Cittadino of Monza and Brianza.

With the exception of the Chairperson, all other members of the Board are non-executive Directors since none have any management responsibility.

For information on positions as Director or Statutory Auditor held by members of the Board of Directors in other companies listed on regulated markets, also foreign, or in financial, banking or insurance companies or companies of significant size, please refer to the section above and Table 1 of the present Report.

It should be noted that the number of independent Directors shown above exceeds the minimum ratio to the total number of Board Directors that is required under prevailing law and regulations.

The Board of Directors verified the requisite independence of the Directors at its board meeting on 13 May 2016. On the aforementioned date, the Board of Statutory Auditors, as part of their duties under the law, verified that the Board of Directors had correctly applied the criteria and procedures for ascertaining and evaluating the independence of its own members.

The Chairperson of the Board of Directors and the Chairperson of the Board of Statutory Auditors therefore certified the existence of the requisite independence of the Directors on the basis of declarations given to this end in accordance with enacted law.

Profiles of the members of the Board of Directors may be found on the Company website [www.fieramilano.it](http://www.fieramilano.it) under *Investor Relations/Corporate Governance/Corporate Bodies*.



## Role of the Board of Directors and Delegated Bodies

The Board of Directors is invested with the widest powers for the ordinary and extraordinary management of the Company; specifically, it may take any action deemed appropriate or useful to achieve the Company objectives, except for those which, pursuant to law, are reserved for the Shareholders' Meeting.

In addition to those responsibilities that by law are the exclusive preserve of the Board of Directors, the Company's Articles of Association specifically assign the Board the following responsibilities:

- (a) the purchase, underwriting and transfer on its own behalf of shares, shareholdings or investments in other companies, including newly incorporated companies, and the transfer of option rights, except for normal treasury investment transactions;
- (b) the conferral of fixed or other assets to other companies in the process of incorporation or already incorporated;
- (c) any form of loan taken out by the Company which exceeds 30% of shareholders' funds;
- (d) taking out mortgages, charges or other guarantee rights of any type on all or a significant part of the bonds, property or assets of the Company;
- (e) approval of the budget;
- (f) giving bank guarantees from the Company to third-parties;
- (g) the stipulation of property-related contracts, with the exception of property rental contracts for a period not exceeding six years, agreed as part of the Company business;
- (h) the acquisition, divestment, creation, lease and contractual licensing agreements for patents, brands, models, internet sites and/or domains, satellite or cable television channels, editorial publications, royalties and similar and any intellectual property rights in general that are connected to the corporate objectives of the Company;
- (i) the appointment, use of consultants, and authorisation of services not covered by the budget and exceeding Euro 100,000 to third-parties that are in no way connected to the Board;
- (j) the appointment and removal of the Manager responsible for preparing the company accounts.

The Board of Directors is also responsible for the following:

- (k) any merger decision in circumstances pursuant to Articles 2505 and 2505-*bis* of the Italian Civil Code;
- (l) the setting up and closure of branch offices;
- (m) the reduction of the share capital in cases of shareholder rescission;
- (n) amending the Company's Articles of Association so that they adhere to the law;
- (o) the transfer of the registered office to another location in the same Province.

At his re-appointment on 29 April 2015, the Chief Executive Officer, Mr Corrado Peraboni, was given all the powers necessary for the ordinary and extraordinary management of the Company, except for those matters that are the exclusive preserve of the Board of Directors.

During the 2016 financial year, the Chief Executive Officer provided the Board of Directors, at least quarterly, with adequate information on the general progress of operations, on the foreseeable outlook for the business, as well as on the more significant transactions carried out by the Company and its subsidiaries.

On 13 January 2017, the Chief Executive Officer resigned and the Board of Directors vested the Chairperson, Mr Roberto Rettani, with the powers for the ordinary management of the Company as described in Section 13 of this Report.

The Directors notify the Board of Statutory Auditors in a timely manner in writing, and at least quarterly at the meeting of the Board of Directors, of any material economic, financial or equity-related transactions carried out by the Company and its subsidiaries.





As regards the provisions of point 1.C.3 of the Self-regulatory Code concerning an opinion of the Board about the maximum number of appointments that may be held as Directors or Statutory Auditors in listed companies, financial institutions, banks, insurance companies or companies of a significant size, it should be noted that the current Articles of Association of the Company do not stipulate a maximum number of such positions that may be held. However, the members of the Board of Directors have undertaken to guarantee that they will carry out their duties effectively and dedicate the necessary time to these duties. This is confirmed by the significant number of Board meetings held during the 2016 financial year and the high level of attendance at these meetings.

The meetings of the Board of Directors are usually scheduled according to a timetable approved at the start of the year in order to ensure maximum attendance at the meetings.

The corporate calendar is available on the Company website in the *Investor Relations/Financial* calendar section.

During the financial year to 31 December 2016, the Board of Directors met nineteen times with a high attendance rate for all Directors (the number of meetings attended by each member of the Board of Directors is shown in Table 1). The average duration of the board meetings was approximately two hours. At the date the present Financial Statements were approved, seven Board Meetings had been held in the current financial year, one of which stretched over two sessions.

Group executives, who are responsible for the corporate activities pertaining to matters that are on the agenda, are invited to attend board meetings to provide additional information on the matters under discussion by the Board of Directors.

On 29 April 2015, the Board of Directors appointed a Secretary to the Board who is the Central Director of Corporate Affairs of Fiera Milano.

The Chairperson is supported by the Secretary in ensuring the timely delivery and completeness of the documentation supplied ahead of the board meetings and in maintaining the confidentiality of the data and information given.

Board Directors and Statutory Auditors receive the documentation and information sufficiently in advance of the date of the Board meeting to allow them to speak knowledgeably on the arguments submitted to them for discussion and approval.

The Board of Directors decided that the appropriate advance period for documentation given to Directors and Statutory Auditors ahead of board meetings was: seven days prior to the date of the meeting for any documentation regarding financial statements, budgets and business plans except when there are valid reasons otherwise.

### The Chairperson of the Board of Directors

The Chairperson directs the proceedings of the Shareholders' Meetings, verifies the correct constitution of the meeting, checks the identity and the legitimate right of attendees, oversees its conduct, including the rules governing the order and duration of any intervention, organises the voting system and the counting of votes, and scrutinises the results of any vote. The Chairperson also oversees relations with shareholders, supervises national and international institutional relations, and corporate communication; he/she coordinates strategies and the internal audit, and verifies that decisions taken by the Board of Directors are implemented, whilst assisting the Chief Executive Officer in the internationalisation of the Group.



Section 13 describes the new responsibilities that became part of the role of Chairperson at the Board meeting of 13 January 2017 as a result of which he no longer met the requirements of independence under the Self-regulatory Code and under Article 148, paragraph 3 of Legislative Decree 148.

### *Induction program*

In the course of the 2016 financial year, the Chairperson and the Chief Executive Officer were diligent in informing the Board of Directors of market conditions in the national and international exhibition sector in which Fiera Milano S.p.A. operates; corporate trends and their evolution; and the reference legal framework. They also informed the Board of Directors of the activities to update corporate procedures, particularly given the specific circumstances described in the Foreword to this Report.

### Self-appraisal by the Board of Directors

The Board of Directors carried out a self-appraisal of the functioning, composition and size of the Board of Directors and of its committees for the 2016 financial year.

The self-appraisal, instigated by the Chairperson of the Board of Directors, was made by each Director anonymously completing a questionnaire; the results were revealed during the Board Meeting held on 10 March 2017.

The questions were designed to analyse (i) the size and composition of the Board of Directors with reference to the nature and professional experience of the Directors; (ii) its *modus operandi*, (iii) the composition and responsibilities of the internal committees of the Board; (iv) the knowledge of the legal framework of the sector and the participation of Directors at meetings and in the decision-making process.

This questionnaire was completed by each Director and the results were aggregated and presented to the Board of Directors in an anonymous form.

The results of the questionnaire showed that the Board of Directors believes that the size and *modus operandi* of the Board meet the organisational and administrative requirements of the Company. They self-appraisal highlighted that the diversity of professional qualifications of the Directors needed to be increased. A positive opinion was also expressed on the frequency of the meetings. There was also a positive evaluation of the internal committees concerning the role guaranteed by these committees within the Board.

## 6. Internal Committees within the Board of Directors

The Control and Risk Committee and the Remuneration Committee have been set up by the Board of Directors; their roles and functions are in line with the standards indicated in the Self-regulatory Code and with corporate governance best practice.

On 29 April 2015, the Board of Directors decided against having a specific appointments committee within the Board of Directors, under Article 5.P.1 of the Self-regulatory Code, as there appeared to be no requirement for such a committee. It decided that the functions of an appointments committee would be carried out by the Board in order to meet the criteria of 4.C.2 of the Self-regulatory Code.



On 26 July 2013, the Board of Directors adopted Rules for the Appointment of the Corporate Bodies of Subsidiaries, which gives guidelines for appointments to the administration and control bodies in subsidiaries that refer to the *Rules for the Regulation of Direction and Coordination by the Parent Company* (see Section 12).

## Remuneration Committee

A Remuneration Committee has been constituted within the Board of Directors.

The Board of Directors meeting of 29 April 2015 appointed the Deputy Vice Chairperson, Attilio Fontana, as Chairperson of the Remuneration Committee and the non-executive Directors, Licia Ronzulli and Romeo Robiglio, as the other members of the committee.

The members of the Remuneration Committee are remunerated for the work they do.

During the financial year to 31 December 2016, the Remuneration Committee met ten times, with minutes taken, making proposals, as is its duty, to the Board of Directors. The average duration of these meetings was approximately forty-five minutes.

At the date of the approval of the present Financial Statements, two meetings had been held in the current financial year.

Information on the composition, activities and operation of the Remuneration Committee, is given in the Report on Remuneration published in accordance with Article 123-ter of the Consolidated Finance Act.

## Remuneration of the Board of Directors

Reference should be made to the Report on Remuneration published in accordance with Article 123-ter of the Consolidated Finance Act for:

- the general policy on remuneration;
- remuneration of Executive and Non-executive Directors;
- remuneration of executives with strategic responsibilities;
- compensation payable to Directors on resignation, dismissal or termination of employment.

## Control and Risk Committee

The Board of Directors set up a Control and Risk Committee composed of independent and non-executive Directors. The Committee has an advisory role, makes proposals and carries out preliminary research to aid the Board of Directors in its decisions and evaluations regarding the internal control and risk management systems, as well as the approval of the financial statements and the six month interim financial statements; it gives the Board of Directors information, on at least a six-monthly basis when the annual financial statements and the interim six-monthly statements are approved, regarding its activities and also the adequacy of the internal control and risk management system.

Specifically the responsibilities of the Control and Risk Committee are the following:

- to give a preliminary opinion to the Board of Directors regarding:
  - (i) the definition of the guidelines of the internal control and risk management system so that the main risks faced by the Company and its subsidiaries are correctly identified, quantified, managed and monitored while assessing the compatibility of these risks with management of the company in a way that is consistent with the stated strategic objectives;



- (ii) the annual evaluation of the adequacy and efficacy of the internal control and risk management system given the nature of the business and its risk profile;
  - (iii) the description, which forms part of the Report on Corporate Governance, of the main features of the internal control and risk management system and the evaluation of its adequacy;
- to express a considered opinion on the interests of the Company and on the substantial correctness of conditions regarding significant related-party transactions, pursuant to the prevailing Procedures for Related-Party Transactions adopted by the Company in accordance with Consob Resolution no. 17221/2010 and the relative enacted organisational procedures;
  - to express a considered opinion on specific aspects regarding the identification of the main corporate risks;
  - to evaluate, in collaboration with the Manager responsible for preparing the Company accounts and having asked the opinions of the Independent Auditors and the Board of Statutory Auditors, the correct application of accounting principles, as well as their consistent application across the Group in preparing the consolidated financial statements;
  - to express a preliminary opinion regarding the appointment or removal of the Head of Internal Audit, ensuring that he/she has the necessary resources to carry out his/her role, as well as on whether his/her remuneration is consistent with Company policy;
  - to express its opinion regarding the adoption and subsequent updating of the guidelines for the Manager responsible for preparing the Company accounts;
  - to express a preliminary opinion to the Board of Directors on the annual approval of the work schedule prepared by the Head of Internal Audit and to examine the periodic reports made by the internal audit department assessing the internal control and risk management system, and any other important evaluations;
  - to give a preliminary opinion to the Board of Directors on the results of the independent audit expressed in any eventual letter of suggestions and in the report on any fundamental matters under Article 19, paragraph 3 of Legislative Decree no. 39/10 that have emerged as part of the independent audit;
  - to express an obligatory but non-binding opinion on any intra-group service contracts that could come under the Rule governing the exercise of direction or coordination by the Parent Company;
  - to monitor the independence, adequacy, efficacy and efficiency of the internal control procedures.

The Chairperson of the Board of Statutory Auditors (or a member of the Board of Statutory Auditors delegated by the Chairperson) and the Head of Internal Audit for Fiera Milano attend meetings of the Control and Risk Committee. Other Statutory Auditors may also attend.

If considered appropriate, the Committee may invite Directors and executives of Fiera Milano or of Group companies to attend its meetings so that they may give their opinion on specific matters; it may also invite other persons who may be able to assist in the business of the Committee.

The Control and Risk Committee has access to information and the corporate functions necessary to carry out its responsibilities and may also use external consultants.

At its meeting on 29 April 2015, the Board of Directors appointed the following as members of the Control and Risk Committee: Joyce Victoria Bigio (Chairperson), Renato Borghi and Patrizia Rutigliano, all independent Non-executive Directors.

At the time of these appointments, the Board of Directors expressed a positive opinion on the professional accounting and financial experience of the Director, Ms Bigio.

On 17 February 2017, the Director Renato Borghi resigned from the Control and Risk Committee.

The members of the Control and Risk Committee are remunerated for the work they do.



During the financial year to 31 December 2016, the Control and Risk Committee held eleven meetings, minuted in accordance with the regulations. The average duration of the meetings of this Committee was approximately two and a half hours. At the date of the approval of the present Report, four meetings had been held in the current financial year.

During the financial year under review, the Control and Risk Committee:

- evaluated the work schedule prepared by the Head of Internal Audit, with relevant periodic reports on the audit activity;
- examined the work schedule proposed by the independent audit firm, the relevant audit reports and the report on fundamental matters;
- examined the delegations and authorisations system;
- investigated evidence of direction and coordination of the companies Mico DMC and Ipack Ima Srl;
- assimilated information regarding the Administration orders issued by the Milan Court to the subsidiary Nolostand and the stand-fitting business division of the Parent Company, expressed its opinion and made suggestions where applicable;
- carried out preliminary and preparatory analyses of the Board decisions regarding extraordinary financial transactions made in the financial period under review;
- monitored the functioning of Group shared services;
- monitored the corporate project to review the Group information systems;
- examined the process for preparing the quarterly and half-year reports on operations, as well as that for the annual Financial Statements, and evaluated the adequacy of the accounting standards used with particular attention to the methodology followed in carrying out any impairment tests;
- monitored the preparation of the Parent Company rights issue;
- expressed its opinion on the updating of the guidelines for the responsibilities of the Manager responsible for preparing the Company accounts;
- expressed its opinion on a series of newly adopted corporate procedures, in particular, in the Procurement department;
- examined the periodic management reports.

The Control and Risk Committee also exercised its prerogative to give a preliminary analysis to the Board of Directors identifying, quantifying, managing and monitoring the main risks to the Company.

On the subject of related-party transactions, the Committee examined the suitability and substantive correctness of the main economic, capital and financial transactions with related parties.

## 7. Internal Control and Risk Management System

The internal control and risk management system of the Company and the Group is made up of rules, procedures and organisational structures that are designed to identify, quantify, manage and monitor the main risks. It contributes to the conduct of the Company and the Group as it is consistent with the corporate objectives established by the Board of Directors of the Parent Company and favours the adoption of informed decisions. It also contributes to guaranteeing (i) the protection of shareholder equity, (ii) efficient and effective corporate procedures, (iii) reliability of financial reporting, and (iv) compliance with applicable laws and regulations, the Company's Articles of Association, and internal procedures.

Fiera Milano Group has developed an integrated risk management model based on internationally recognised Enterprise Risk Management (ERM) standards.



The main aim is to have a systematic and pro-active approach to identifying the principal risks to which the Group is exposed and to identify as early as possible the potential negative effects, taking suitable action to mitigate these effects while continually monitoring the relevant exposure.

In order to achieve this Fiera Milano has compiled a catalogue of Group risks linked to the strategies being implemented, together with a risk mapping and risk scoring methodology, and has made the necessary organisational changes in order to identify the roles and responsibilities of those involved.

Specifically, the Group integrated risk management process entails an annual (i) update of the risk catalogue according to the strategies implemented and the management and business model used; (ii) assessment of the risks by the management of Fiera Milano and of its subsidiaries; (iii) consolidation of information and prioritisation of the risks and the consequent course of action; (iv) tolerance analysis of any exposure identified and formulation of the appropriate management strategies/actions and the identification of those responsible for implementing such actions; (v) monitoring over time of any exposure that has been identified.

The Control and Risk Committee and the Board of Statutory Auditors are informed of the results of the aforementioned procedure.

### Risk management and internal control system for financial reporting

The aforementioned integrated risk management model cannot be considered separately from the internal control system used for the financial information process as both are elements of the overall internal control and risk management system of Fiera Milano. It should be noted that the process for preparing the annual and interim financial statements and, in particular, the procedures to describe the principal risks and uncertainties to which Fiera Milano and the Group are exposed, are strictly linked and coordinated to the information flows deriving from the Enterprise Risk Management (ERM) processes of the Company and of the Group, which aim to identify, evaluate and mitigate any corporate risks.

In recent financial years, Fiera Milano has modified its internal control system for financial reporting in keeping with the provisions of Law 262/05 so as to document, where necessary, the administrative and accounting control model adopted, and to schedule and implement periodic checks on the operational efficacy of the controls that are behind the certification processes of the Manager responsible for preparing the Company accounts.

The aforementioned administrative and accounting control model combines the internal procedures and methods used by the Company to attain the corporate targets of integrity, accuracy, reliability and timeliness of financial information. The approach of Fiera Milano in formulating, implementing and continually updating the aforementioned administrative and accounting control model follows a development process initially in line with generally accepted best practice, with the guidelines for the duties of the Manager responsible for preparing the Company accounts under Article 154-*bis* of the Consolidated Finance Act issued by Confindustria, and with the control elements identified in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.



This reference model, based on the components of the internal control system (Control environment, Risk assessment, Control activities, Information & Communications, and Monitoring) necessary to attain the aforementioned financial reporting objectives favours, *inter alia*, the identification of coordination opportunities and the development of synergies among, for example, Enterprise Risk Management activities, activities undertaken to comply with Decree Law 231/2001 and the activities of the Head of Internal Audit.

The internal control system phases relating to the financial reporting system of Fiera Milano can be divided into the following macro-categories:

- identifying procedures, risks and controls;
- defining and updating administrative and accounting procedures;
- monitoring and updating administrative and accounting procedures.

As part of the responsibilities and powers given him/her by the Board of Directors, the Manager responsible for preparing the Company accounts must effectively implement any actions falling into the above categories.

The main activities under the model used, and included in the macro-categories listed above, are summarised below.

### Identifying procedures, risks and controls

This category includes all activities concerned with identifying or updating the extent of analysis and monitoring carried out, the identification and assessment of risks, the planning of administrative and accounting procedures and the formulation and assessment of checks aimed at mitigating those risks.

At least once a year, the Manager responsible for preparing the Company accounts decides the areas of the Company and Group processes that will be subject to risk analysis and to monitoring of the controls existing in the administrative and accounting control model. This will be done using both quantitative and qualitative parameters to ensure that the most significant areas and/or those that pose the greatest risk of failing to meet the objectives of the financial reporting controls are included in the aforementioned areas.

Defining the areas to be analysed and monitored necessitates identification of the relevant accounts, disclosures and connected procedures so that the subsequent identification and assessment of controls, both at entity level and at procedure and transaction level, can effectively mitigate the risks inherent in the process of preparing financial information.

With regard to identifying and assessing risk in financial reporting, the approach adopted considers both the risk of unintentional errors and those that may be caused by fraudulent activity, providing for the formulation and monitoring of checks and balances that address these types of risk, as well as coordinating the controls implemented with others in the overall internal control system.

Without prejudice to the main elements of the administrative and accounting control model already implemented in previous financial periods, the continuous activity of updating the monitoring model carried out by the Manager responsible for preparing the Company accounts also includes, where they affect the administrative accounting procedures, any changes the Company might introduce to the entity level controls of the various parts of the overall Internal Control and Risk Management System, for example, those pertaining to compliance, organisation and risk prevention.



To support the assessment of inherent risk levels, the reference criteria used are based on the following main potential risk indicators, generally recognised by the reference best practice: changes in information systems, processes and procedures and other complex elements, for example, the complexity of information processing required by a certain procedure, a high level of transactions, or, for example, in processes that employ a considerable amount of estimates and valuations, the adequacy of the documentation and the reliability of the assumptions made.

When significant risks in financial reporting are identified, the administrative and accounting control model provides for the appropriate identification of controls to mitigate these risks. Specifically, the approach adopted takes adequate account of both manual controls and the data system controls in the administrative and accounting procedures, the so-called automatic system controls application, the general IT control that govern system access, the control of developments and modifications to the application systems, and the adequacy of the information structures.

The administrative and accounting model, in line with reference best practice, ensures that the surveillance procedures for the processes, risks and controls is updated for significant changes in the Group administrative and accounting procedures whenever necessary.

### Defining and updating administrative and accounting procedures

Based on the results of monitoring the processes, risks and controls, the Manager responsible for preparing the Company accounts defines or updates the administrative and accounting procedures and guarantees their adequacy as regards the internal control model and monitors the various phases of the definition or updating of the procedures.

In particular, the updating of the administrative and accounting procedures is done in conjunction with the evaluation of the design of the controls and the continuous monitoring of their implementation.

### Monitoring the administrative and accounting procedures

The Manager responsible for preparing the Company accounts constantly monitors the administrative and accounting procedures, with particular reference to those linked to the preparation of the financial statements, the consolidated financial statements and the summary half-year financial statements, as well as any action or communication of a financial nature that requires statements, attestations and declarations under paragraphs 2 and 5 of Article 154-*bis* of the Consolidated Finance Act, so as to ensure the adequacy and effective implementation of these procedures.

To achieve this, special verification actions to ascertain the correct implementation of the controls incorporated in the administrative and accounting procedures exist. The checks, analyses, and verification of the administrative and accounting procedures are based on defining a test strategy that determines the *modus operandi*, the controls and ways of monitoring the procedural systems implemented.

The timetable of the monitoring activity is prepared in such a way as to give priority to verifications of identified “key” controls, and to balance the objectives of efficiency with the requirement of achieving adequate coverage of the verification activities, introducing rotational tests for the significant processes and sub-processes for subsequent important end of financial period dates.





With regard to the organisational aspects and to the roles involved in the various phases of formulating, implementing, monitoring and updating over time the administrative and accounting control model, it should be noted that specific information flows have been defined between the Head of Internal Audit and the corporate, administrative and control committees and the corporate executives and/or areas that, outside the Department of Administration, Finance and Tax, are involved in compiling, preparing and circulating the annual financial statements, the consolidated financial statements, the summary half-year financial statements, the interim management reports and, more in general, any information subject to attestation/ declaration by the Manager responsible for preparing the company accounts. The accounting and administrative model also covers specific information flows among Group companies and internal attestations/declarations.

In preparing the annual and interim financial statements and describing the principal risks and uncertainties to which Fiera Milano and the Group are exposed, the Manager responsible for preparing the Company accounts works with the Enterprise Risk Management of the Company and of the Group in order to identify and assess all corporate risks.

In 2016, under the Administration orders for the stand-fitting procurement area of Fiera Milano S.p.A. and the subsidiary Nolostand S.p.A. that are still in place, the actions implemented by the Company also comprised the revision of some corporate procedures that included those for procurement and the purchasing cycle. The evaluation of the adequacy of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements at 31 December 2016 took account of the aforementioned circumstances in deciding the periodic monitoring activities.

#### Governance of subsidiaries in countries outside the EU

In accordance with the provisions of Article 36, as referred to in Article 39, paragraph 3 of the Stock Market Regulations, the Company and its subsidiaries have administrative and accounting systems which make public the accounting procedures used to prepare the consolidated financial statements of the companies to which this law is applicable and which permit the regular communication of the data required to prepare the Consolidated Financial Statements to the Parent Company management and its independent auditors.

Therefore, the conditions exist under the aforementioned Article 36, paragraphs a), b) and c) of the Stock Market Regulations issued by Consob.

#### Director responsible for the internal control and risk management system

The Board of Directors is responsible for internal control and risk management and, with the help of the Control and Risk Committee, for establishing its guidelines and periodically verifying that it is fit for purpose and is functioning effectively, ensuring that the principal corporate risks are identified and managed in an appropriate manner. On 29 April 2015, the Board of Directors, in accordance with Rule no. 7 of the Self-regulatory Code, also gave the Chief Executive Officer the responsibility for the internal control and risk management system.

Section 13 provides details of the changes to the administrative bodies at the start of the 2017 financial year. At the Board meeting of 19 January 2017, this function passed to the Chairperson of the Board of Directors.



## Head of Internal Audit (the “Internal Audit Department”)

The Head of the Internal Audit Department is responsible for verifying that the internal control and risk management system is fit for purpose and working; he/she is not hierarchically answerable to anyone in charge of an operating area but reports directly to the Chairperson so that independence and autonomy are guaranteed. There is also a system for functional reporting to the Control and Risk Committee. The Head of the Internal Audit Department has direct access to all the information necessary and has adequate means for carrying out his/her role.

At its meeting on 13 January 2017, the Board of Directors assigned the ordinary management of the Company to the Chairperson to ensure continuity of its day-to-day management; at the same time, the responsibility for oversight of the internal audit was assigned to the Chairperson of the Control and Risk Committee, the Director Ms Joyce Victoria Bigio.

It is the responsibility of the Board of Directors, on the suggestion of the Chief Executive Officer prepared in conjunction with the Chairperson, and having received a favourable opinion from the Control and Risk Committee and having consulted the Board of Statutory Auditors, to appoint or dismiss the Head of the Internal Audit Department, to ensure that the latter has all the resources required to carry out his/her duties and is remunerated in line with Company policies. The Board of Directors is also responsible for annually approving the work schedule prepared by the Head of the Internal Audit Department, having considered the opinion of the Control and Risk Committee, consulted the Board of Statutory Auditors, the Chairperson and the Chief Executive Officer.

The Head of the Internal Audit Department reports regularly to the Chairperson and periodically to the corporate control bodies, the Control and Risk Committee and the Board of Statutory Auditors.

## Organisational model pursuant to Legislative Decree no. 231/01

The Company has adopted an Organisation, Management and Control Model in accordance with Legislative Decree no. 231/01.

The aim of the Organisation, Management and Control Model is to describe the operating and conduct rules governing the Company’s activities, as well as the additional controls that the Company has adopted in order to prevent any of the offences described in the Decree being committed. The Model covers the current organisational and control tools, such as the organisational chart, the system of proxies and delegations and the service instructions.

In particular, the Model aims to:

- ensure, amongst those persons operating in the name of and on behalf of the Company in areas where there is a risk of offences being committed and in areas vulnerable to the committing of offences, that there is an awareness of the risk of committing an offence if the adopted procedures are violated, an event that might give rise to administrative or criminal sanctions not only for those persons but also for the Company;
- emphasise that any form of unlawful behaviour is strongly condemned by the Company (even where the Company may apparently be in a position to derive some advantage from it) as it contravenes not only the law but also the corporate ethics to which the company wishes to adhere in carrying out its corporate mission;
- permit the Company, through continuous monitoring of areas where there is a risk of offences being committed and of areas vulnerable to the committing of offences, to intervene promptly so as to prevent or act against the perpetration of any unlawful activity.



The Company's Model is composed of a general part, which describes the contents of Legislative Decree no. 231/2001, the function and principles of the Model, the identification of activities at risk, the definition of protocols, the characteristics and functions of the Supervisory Body, the activities of training and information, the system of sanctions, and fourteen special sections, each dedicated to a category of offence under Legislative Decree no. 231/2001: (i) crimes committed against the public administration (ii) corporate crimes (iii) crimes of market abuse (iv) transnational offences (v) crimes against persons in violation of workplace health and safety (vi) crimes concerning receiving, laundering and the re-use and self-laundering of money and goods of unlawful origin (vii) IT crimes (viii) crimes of organised crime (ix) crimes against industry and trade (x) crimes of copyright infringement (xi) inducements not to make statements or to make false statements to the court (xii) environmental crimes (xiii) employment of citizens from outside the EU who do not have a legal right to be in the country (xiv) private bribery. Each special section gives a description of the relevant crime, describes the sensitive operations, the instrumental procedures, and the general and specific supervision principles. The Model is completed by appendices, which are an integral part of it, that include the *Code of Ethics* and the reporting lines to the Supervisory Body of each Organisational Unit.

The Code of Ethics clearly defines the values recognised, accepted and shared by the Company and the responsibilities it assumes both internally and externally. Observance of the Code by the employees of Fiera Milano is of fundamental importance to the functioning, reliability and reputation of the Company, factors that are a decisive asset in the success of the Group. The employees of Fiera Milano, in addition to meeting the normal requirements of loyalty, correct behaviour, and acting in good faith under the terms of the employment contract, must avoid carrying out any activity that is in competition with Fiera Milano, must respect the company rules and comply with the requirements of the Code of Ethics.

All those who have business relations with the Company are made aware of the Code.

The most recent update to the Model was approved by the Board of Directors at its meeting on 26 February 2016. This version incorporates the effects of the most recent legislation and specifically the enactment of (i) Law no. 186/2014 containing "*Disposizioni in materia di emersione e rientro di capitali detenuti all'estero nonché per il potenziamento della lotta all'evasione fiscale. Disposizioni in materia di autoriciclaggio*" [Measures for the disclosure and repatriation of capital held abroad and to strengthen the measures against tax evasion. Measures for self-laundering], which introduced a new crime, that of self-laundering, (ii) of Law no.68/2015 containing "*Disposizioni in materia di delitti contro l'Ambiente*" [Measures against environmental crimes]; and (iii) of Law no. 69/2015 containing "*Disposizioni in materia di delitti contro la pubblica amministrazione, di associazioni di tipo Mafioso e di falso in bilancio*" [Measures for crimes against the public administration, crimes by Mafia-style organisations and for fraudulent accounting].

At the date of the present Report, the Model is being revised to reflect changes to the law and the organisational set-up that have been introduced since the most recent update. In order to monitor the functioning, efficacy and observance of the Model and to manage its revision, the Board of Directors has given the role of the Supervisory Body to a collective body that has the responsibilities described above.

At the date of the present Report, the Supervisory Body is composed of the lawyer Mr Ugo Lecis, an external professional, as Chairperson; the Chairperson of the Board of Statutory Auditors Ms Federica Nolli; and the Director of Internal Audit Mr Andrea Pizzoli. In 2016 the composition of the Supervisory Board under Legislative Decree 231 changed as follows:

- (i) the Director of Internal Audit Mr Andrea Pizzoli was appointed as a member from 17 June 2016;
- (ii) the independent and non-executive Director Mr Pier Andrea Chevallard resigned as a member from 28 October 2016.

The members of the Supervisory Body are remunerated for their work.



The Organisational Model, in implementation of the terms of Article 6 paragraph 2 of Legislative Decree no. 231/01, provides for specific information flows to the Supervisory Body so that it can carry out with greater effect the supervision and monitoring of the functioning of the Model.

With reference to the unlisted companies of the Group that have adopted their own organisational model, the Supervisory Body has conducted research on each of these in order to identify adequate technical/operational solutions that, while respecting the mandate and powers reserved for the same by the prevailing regulations, are appropriate to the dimensions and organisational context of each corporate entity, also taking account of the relevant guidelines issued by the Parent Company.

As regards foreign subsidiaries operating under foreign law, which do not have to adhere to the provisions of Legislative Decree no. 231/01 and which do not have their own Organisational, Management and Control Models pursuant to the aforementioned Decree 231, these have adopted the *Code of Ethics* and the guidelines for anti-corruption rules and other compliance programmes in order to have a systematic reference framework of crime prevention regulations and standards.

#### Independent audit firm

Accounting audit and control has been entrusted to EY SpA (previously known as Reconta Ernst & Young S.p.A.), a company registered in the specific Consob Register, in compliance with applicable law. The mandate was conferred by the Shareholders' Meeting of 29 April 2014 and relates to the financial years ending 31 December 2014-2022.

#### Manager responsible for preparing the company accounts

The Board of Directors of the Company, on 29 April 2015, having previously sought the opinion of the Board of Statutory Auditors, appointed as Manager responsible for preparing the company accounts Mr. Flaminio Oggioni, previously the company's Director of Administration Finance and Tax, at the same time conferring on him, through the appropriate delegation of functions, adequate means and powers to carry out the duties attributed to him under enacted law. The Board of Directors also supervises the effective compliance with administrative and accounting procedures. The Company's Articles of Association require the Manager to be an expert in matters of administration, finance and control and to possess the same characteristics of personal probity required of Statutory Auditors under current legislation. The Manager's appointment is for three financial years and must not exceed the mandate of the Board of Directors that made the appointment.

On 4 November 2016, Mr Sebastiano Carbone, previously head of Administration and Financial Reporting for Fiera Milano was appointed Manager responsible for preparing the Company accounts.

#### Coordination among persons involved in the internal control and risk management system

The coordination of persons involved in the internal control and risk management system is through a series of mechanisms and means of interaction: i) scheduling and holding joint meetings of the various corporate bodies and functions responsible for internal control and risk management; ii) attendance at meetings of the Control and Risk Committee by the Chairperson of the Board of Statutory Auditors and other members of the Board of Statutory Auditors and by the Head of Internal Audit; iii) attendance by the Head of Internal Audit at the meetings of the Supervisory Committee under Legislative Decree 231/01.



## 8. Board of Statutory Auditors

### Appointment of Auditors

The Company's Articles of Association currently require that the appointment of the Statutory Auditors is made on the basis of lists presented by the shareholders; the articles state that the position of Chairperson of the Board of Statutory Auditors is granted to the first candidate on the second list by number of votes and who is in no way related, even indirectly, to those shareholders who presented, or combined to present, or voted for the first-placed list by number of votes. Only those shareholders who, individually or together, represent at least 2.5% of the share capital and are entitled to vote in the ordinary shareholders' meeting have the right to present a list, as required by the Company's Articles of Association and by Consob Resolution no. 19856 of 25 January 2017. A shareholder who intends to present a list of candidates and who does not own a controlling shareholding or the relative majority of the share capital of the Company must deposit a declaration stating the absence of any relationship with the controlling shareholder, as required by the regulatory provisions. The lists must be deposited at the Company's registered office at least twenty-five days before the date fixed for the first convocation of the Shareholders' Meeting and must be made public by the Company at least twenty-one days before the date fixed for the first convocation of the Shareholders' Meeting.

Ownership of the minimum shareholding required to present lists is based on the shares that are registered to the shareholder on the day on which the lists are deposited with the Company. To prove ownership of the minimum number of shares required to present lists, the shareholders must provide within the time for the publication of the lists by the Company the relative certification by authorised intermediaries released in accordance with law.

Each list, deposited within the periods described above, must be accompanied by a declaration in which each candidate accepts the candidacy and declares that no reasons of ineligibility or incompatibility exist with reference to the accumulation of positions referred to below, that the requirements of prevailing law relating to the assumption of the position are fulfilled, and must include a *curriculum vitae* of the career of each candidate that gives the administration and control positions held.

The Articles of Association also provide that, without prejudice to situations of incompatibility under prevailing laws, any person who is already an acting Statutory Auditor in five companies listed on regulated markets may not take up a position as Statutory Auditor and, if elected, their mandate is nullified, except where different limits are established by laws which may periodically be introduced.

To meet the requirements of Article 148, paragraph 1-*bis* of the Consolidated Finance Act and Article 144-*undecies* of the Listing Rules regarding the appointment and replacement of members of the Board of Statutory Auditors, the Company Articles of Association contain the same criteria and principles as those for the appointment and replacement of members of the Board of Directors described above.

The complete Company Articles of Association is available on the Company website [www.fieramilano.it](http://www.fieramilano.it) in the section *Investor Relations/Corporate Governance/ Articles of Association*.

### Composition of the Board of Statutory Auditors

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of 29 April 2015, on the basis of a single list presented by the controlling shareholder, Ente Autonomo Fiera Internazionale di Milano – and will remain in position until the approval of the Financial Statements to 31 December 2017.



The Board of Statutory Auditors is composed of the following members and a short *curriculum vitae* is given indicating the personal and professional experience of each Statutory Auditor.

- **Federica Palmira Nolli**, Chairperson of the Board of Statutory Auditors of Fiera Milano since 29 April 2015. Born in Cremona on 3 February 1959, Ms Nolli graduated in Business Economics from the University of Pavia. She is on the National Register of Chartered Accountants [Dottori Commercialisti] and Legal Auditors. Since 1988 she has been a partner of FP & Partners and is Head of its Administration and Control Division and a consultant in Corporate Management and Organisation. She holds several supervisory positions.
- **Antonio Guastoni**, Standing Statutory Auditor of Fiera Milano since 29 April 2015. Born in Milan on 11 January 1951, Mr Guastoni has a degree in Economics and Business from the Università Commerciale Luigi Bocconi. He is qualified as a Chartered Accountant and is on the National Register of Auditors. He holds several administrative and supervisory positions.
- **Carmine Pallino**, Standing Statutory Auditor of Fiera Milano since 29 April 2015. Born in Milan on 20 March 1967, Mr Pallino has a degree in Business Economics from the Università Commerciale Luigi Bocconi. He is on the Register of Chartered Accountants and of Business Economists. He is an auditor for companies and public entities. He is Chairperson of the Board of Statutory Auditors of A.S.A. M. S.p.A., Official Receiver of Fondazione Molina on behalf of the Lombardy Region; Chairperson of the Milan Association of Certified Accountants and, since 2014, has been an external member of the Supervisory Body of A.L.E.R. Milan, He works as a Certified Accountant and employment consultant.
- **Francesca Maria D'Alessandro**, Substitute Statutory Auditor of Fiera Milano since 29 April 2015. A graduate in Business and Economics from the Università Cattolica del Sacro Cuore of Milan, Ms d'Alessandro is qualified as a Chartered Accountant and enrolled on the Register of Auditors. She is a member of the Crises, Restructuring and Company Recovery Commission and of the Business Insolvency Procedure Commission of the Milan Association of Accountants and Accounting Experts. She has considerable consultancy experience in corporate restructuring and business crisis management. She has been a Statutory Auditor of several important national companies and entities.
- **Alessandro Carlo Galli**, Substitute Statutory Auditor of Fiera Milano since 29 April 2015. Born in Busto Arsizio (Varese) on 11 May 1973, Mr Galli has a degree in Economics and Business from the Università Commerciale Luigi Bocconi and is qualified as a Chartered Accountant and enrolled on the Register of Auditors. He is a member and Chairperson of AdCerta S.r.l. and a partner of AGR & Partners. He holds several administrative and supervisory positions.

All the members possess the necessary requisites of professionalism and probity required by enacted law, as well as the independence required by Statutory Auditors in the Self-regulatory Code, possession of which was verified by the Board of Directors when they were appointed. During the 2016 financial year, the Board of Statutory Auditors met twenty-three times. The average duration of the meetings of the current Board of Statutory Auditors was approximately three hours. At the date of approval of these Financial Statements, four meetings had been held in the current financial year.

## Role and responsibilities of the Board of Statutory Auditors

The Board of Statutory Auditors, in accordance with Article 149 of the Consolidated Finance Act, monitors the Company's activities: to ensure compliance with the law and the Company's Articles of Association; to ensure compliance with the principles of correct administration; to ensure the adequacy of the company's organisational



structure regarding positions and responsibilities, the internal control system and the administrative/accounting system, as well as the reliability of the latter in accurately representing management information; to ensure there exist the means of concrete implementation of the rules of corporate governance provided by the codes of conduct prepared by the companies responsible for the organisation and management of regulated markets and to ensure the adequacy of the regulations prepared by the Company and applicable to its subsidiaries, in accordance with Article 114 paragraph 2 of Legislative Decree 58/98. In accordance with Article 19 of Legislative Decree 39/2010, the Board of Statutory Auditors also oversees the legal auditing of the annual financial statements and the consolidated financial statements and the effectiveness of the internal control and risk management systems, as well as the process for financial reporting.

The Board of Statutory Auditors also monitors the independence of the independent audit firm, ensuring compliance with existing regulations, and the nature and scale of the various accounting services provided by the independent audit firm and its network of entities to the Company and its subsidiaries. In carrying out its activities the Board of Statutory Auditors also operates in conjunction with the internal audit function and with the Control and Risk Committee on matters of common interest through meetings and exchanges of information.

## 9. Procedures adopted by the Company

### Internal Dealing Code

The Company has adopted an *Internal Dealing Code*, prepared in accordance with EU Regulation of 16 April 2014 no. 596 (“MAR”), Commission Delegated Regulation (EU) 2016/522 of 17 December 2015, Commission Implementing Regulation (EU) 2016/523 of 10 March 2016 and of Consob Resolution no. 0061330 of 1 July 2016 (all together “Internal Dealing Regulations”).

Under the *Internal Dealing Code*, a number of relevant persons, and persons close to them, who have regular access to inside information and the power to make management decisions that could affect the performance and prospects of the listed issuer, are obliged to inform the market of any transaction involving listed financial instruments issued by the company. The relevant persons that come under the *Internal Dealing Code* are those with administrative, direction and control responsibilities within the Company Fiera Milano.

The relevant persons identified above must communicate to the Company, to Consob any transactions they have made or that have been made by persons closely connected to them within three trading days of the date of the transaction.

Consistent with the requirements of the MAR, the current *Internal Dealing Code* provides for a black-out period of thirty days preceding the announcement of interim results or year-end financial statements to be made public during which the relevant persons are prohibited from trading in financial instruments issued by the Company.

The Internal Dealing Code was initially approved by the Board of Directors on 8 November 2002 and enacted from 12 December 2002; it was updated on 29 July 2016 to meet the requirements of the new EU regulations.

Communications made in compliance with the *Internal Dealing Code* (filing models) and the *Internal Dealing Code* itself are available on the Company website [www.fieramilano.it](http://www.fieramilano.it) in the section *Investor Relations/ Corporate Governance/ Internal Dealing*.



## Procedure for the management of insider information

The Company has adopted a *Procedure for internal management and public disclosure of inside information*, which incorporates the provisions of regulations on market abuse and also governs the setting up of a register of persons having access to inside information.

On 29 July 2016, the Company adopted the updated version of the aforementioned Procedure that incorporated the requirements of Regulation (EU) no. 596/2014 of 16 April 2014 governing market abuse (“MAR”), of the Commission Implementing Regulation (EU) 2016/347 of 10 March 2016, of the Commission Implementing Regulation (EU) 2016/959 of 17 May 2016, of the Commission Delegated Regulation (EU) 2016/960 of 17 May 2016, and of the Commission Implementing Regulation (EU) 2016/1055 of 29 June 2016.

The *Procedure* contains specific sections covering the definition of inside information, the related procedures for managing inside information, ways of managing so-called market rumours, and also governs instances of delays in communicating to the market, the approval process for press releases, the setting up of a register of persons having access to inside information, persons authorised to maintain external relations and persons obliged to maintain confidentiality. In incorporating the requirements of the new EU regulations, the term Inside Information now includes the intermediary phase of a prolonged process. The measures governing delayed communication of inside information to the market and those regarding maintenance of a Register of those with inside information were also updated to comply with the relevant EU laws.

With adoption of the updated *Procedure*, the pre-existing *Procedure for the maintenance and updating of the register of persons having access to insider information* (the “Insider Register”) that identifies the responsibilities and ways of maintaining and updating the Insider Register was incorporated into the *Procedure*. It identifies the individual responsible for managing the register, an inside information committee and the individuals registered within it; and it governs the procedures for initial inclusion and subsequent updating of the register, as well as aspects regarding confidentiality obligations. The Insider Register is structured in such a way as to highlight the type of inside information to which each person has access and is made up of two sections: one section providing information on persons who have permanent access to all inside information (the “Permanent Insiders Section”) and a section that is added to each time a new piece of inside information is identified (the “Occasional Sections”).

## Procedures for Related-Party Transactions

The Company has a *Procedure for Related-Party Transactions* (hereinafter the *Procedure*). The *Procedure* was adopted on 5 November 2010 and implemented from 1 January 2011. It was prepared in compliance with the provisions of the Rule governing related-party transactions approved by Consob Resolution no. 17221 of 12 March 2010, subsequently modified by Consob Resolution no. 17389 of 23 June 2010 (hereinafter the “Rule”), and with the guidelines for the application of the Rule governing related-party transactions supplied by Consob with Communication no. DEM/10078683 of 24 September 2010. The current *Procedure* was amended by the Board of Directors during the 2015 financial year to bring it in line with the definition of a related-party, which included executives with strategic responsibilities, and with the new definition of executives with strategic responsibilities that was identified in the course of the same financial year.

The *Procedure* identifies the rules and measures to be adopted to ensure transparency and the substantial and procedural correctness of related-party transactions carried out directly by Fiera Milano or through





its subsidiaries. The Control and Risk Committee has been identified as the body designated to express a considered opinion on the interests of the Company and the substantial correctness of the relevant conditions for the completion of related-party transactions.

The new *Procedure* takes advantage of the dispensation given in the Rule that, without prejudice to the requirements regarding the dissemination of information to the public, allows smaller listed companies – or for those with balance sheet assets or revenues as shown in the most recently approved Financial Statements that do not exceed Euro 500 million – the possibility of applying to Transactions of Greater Importance the guidance and approval procedures for Operations of Lesser Importance.

The Board of Directors of the Company will periodically evaluate, and anyway at intervals of not more than three years, whether to update the *Procedure* taking into account, *inter alia*, any eventual changes to its assets, as well as the efficacy of the application of the rules and guidance adopted.

The *Procedure* is available on the Company website, [www.fieramilano.it](http://www.fieramilano.it), in the section *Investor Relations/Corporate Governance/Related-parties*.

The Company has also adopted Organisational Implementation Instructions with regard to the *Procedure for Related-Party Transactions* in order to:

- (i) establish the methods and timing for the preparation and updating of the related-party database compiled specifically for the *Procedure*;
- (ii) monitor the rules for identifying related-party transactions before they are finalised and oversee the preliminary procedures by identifying those persons that should give and/or receive information, the subjects appointed to ascertain if a specific transaction comes under the application of the *Procedure*, as well as the means of guaranteeing the traceability of the transaction under examination;
- (iii) establish the methods, timing and responsibility for managing the process of informing the public as required by the *Procedure*.

## 10. Investor Relations

The Company has adopted a communication policy with the aim of establishing a continuous dialogue with all shareholders and, in particular, with institutional investors, ensuring the systematic and prompt dissemination of exhaustive information regarding its activities, while complying with the regulations on inside information.

The Company has an Investor Relations Manager who reports to the Chief Executive Officer.

The means of financial communication are those of systematic contact with financial analysts, institutional investors and the specialist media in order to ensure a full and proper understanding of the trends in the Company's strategic direction, the implementation of strategy and the impact on the results of the business.

In addition, the Company believes that dialogue with investors is fostered by providing them with sufficient information to allow them to make informed decisions when exercising their rights and by organising the content of the Company's website ([www.fieramilano.it](http://www.fieramilano.it) in the Investor Relations section) so that they can access economic and financial information (annual financial statements, half-yearly and quarterly interim financial statements, presentations to the financial community), as well as updated data and documents of general interest to shareholders (press releases, Company calendar, composition of the Company's governing bodies, Articles of Association, minutes of Shareholder Meetings, an outline of the Group structure, the *Code of Ethics*, the *Internal Dealing Code*, and the related filing models etc.).



## 11. Shareholders' Meetings

The Shareholders' Meeting is conducted for the benefit of all shareholders and the resolutions approved in Shareholders' Meetings, in accordance with the law and the Articles of Association, are mandatory and binding on all shareholders, including those who did not participate, who abstained or who dissented, although dissenting shareholders have rights of rescission under certain circumstances.

The Shareholders' Meeting of 23 April 2013 adopted, in accordance with the provisions of Article 9.C.3 of the Self-regulatory Code, Rules of *Procedure* that govern the conduct of Ordinary and Extraordinary Shareholders' Meetings. These Rules are publicly available on the Company website [www.fieramilano.it](http://www.fieramilano.it) in the section *Investor Relations/ Corporate Governance/ Shareholders' Meetings*.

The aforementioned Rules of *Procedure* define the procedure to be followed to ensure the orderly and correct conduct of Shareholders' Meetings whilst guaranteeing the right of each shareholder to speak on the matters under discussion.

The Shareholders' Meeting is convened and deliberates, in accordance with law and the regulations pertaining to companies with listed shares, on matters that are its right under the law.

The Shareholders' Meeting is authorised to approve, among other matters, in an ordinary or extraordinary meeting (i) the appointment or removal of members of the Board of Directors and of the Board of Statutory Auditors and their relevant remuneration and responsibilities, (ii) the approval of the Financial Statements and the allocation of profits, (iii) the purchase and disposal of treasury stock, (iv) changes to the Company's Articles of Association, (v) the issue of convertible bonds.

Under enacted law, legitimate attendance and the exercise of the right to vote in Shareholders' Meetings is restricted to those who appear as shareholders on the seventh trading day prior to the date of the Shareholders' Meeting and who present to the issuer the relevant communication from an intermediary that accords with the latter's accounting records on behalf of the person having the right to vote at the Shareholders' Meeting using the aforementioned mechanism.

## 12. Other corporate governance procedures

Management policy for whistleblowing disclosures, including anonymous disclosures, received by Fiera Milano S.p.A. and its subsidiaries

On 8 November 2016, a *Management policy for whistleblowing disclosures, including anonymous disclosures, received by Fiera Milano S.p.A. and its subsidiaries* was adopted; the policy governs the procedure for the receipt, analysis and treatment of whistleblowing disclosures, including those made anonymously or in confidence from third-parties or from Fiera Milano Group personnel.

The disclosures may concern problems with the internal control system (e.g. adhering to external laws and regulations, corporate rules and procedures, fraud regarding corporate assets and corporate information, the administrative responsibilities of the company) or other matters that violate the *Code of Ethics* (e.g. behavioural ethics, workplace mobbing, harassment, personnel management conflicts). The channels set up for direct disclosure to the Supervisory Bodies of the Group companies under Legislative Decree 231 remain valid (dedicated accounts).



## Regulation of Direction and Coordination

The Company has regulations governing the exercise of direction and coordination by the Parent Company.

This document was prepared to set guidelines governing the direction and coordination activity of the higher authority over the subordinate entity, with the aim of providing a solid base for the research and development of more extensive and more effective interrelationships.

The Regulation identifies precise responsibilities regarding, respectively, the Company and its subsidiaries, within an unambiguous and reciprocal assumption of duties, and it establishes precise governance procedures appropriately gauged to provide an equitable balance between requirements for centralisation and respect for the autonomous management of the subsidiaries.

It also specifies that in the Group's regulatory hierarchy the organisational regulations come below the Parent Company's Articles of Association and those of the various companies of the Group.

This Regulation was approved by the Parent Company Shareholders' Meeting on 15 April 2010 and, subsequently, in order for it to be adopted, was presented to the Shareholders' Meetings of the individual companies of the Group so that each of them could independently approve it as the basis for their own operations.

On 12 January 2011, the individual companies of the Group amended their own articles of association to make specific reference to the exercise of direction and coordination, pursuant to Articles 2497 and 2497-*bis* of the Italian Civil Code, by the Parent Company Fiera Milano SpA, as well as to assess the possibility for the Parent Company to centralise the management and, in the interest of the entire Group, specific functions for the subsidiaries as part of a shared services policy.

On 23 April 2013, the Shareholders' Meeting of the Parent Company approved the integration of the Regulation with a recommendation that the members of the Board of Statutory Auditors of the Parent Company, in line with best practice on this matter, should be appointed as Statutory Auditors in the Boards of Statutory Auditors of the subsidiaries. The aim of this change was to rationalise and simplify the organisation and to create important synergies that would guarantee greater efficiency and efficacy of the control systems to the benefit of the whole Group.

### 13. Changes subsequent to the end of the financial year under review

This Section gives information on changes to the governance of the Company since the end of the financial year under review that are connected to the Administration orders imposed on the subsidiary NoloStand and on Fiera Milano (limited to the stand-fittings business sector) and analyses in greater detail and in chronological order matters that have previously been mentioned in this Report.

Firstly, it should be noted that in the Board meeting held on 13 January 2017 the Board of Directors:

- acknowledged that the Board of Directors, from the time of its appointment, had been very effective, both before and after the imposition of the Administration orders mentioned in Section 2, in ensuring a significant improvement in the corporate governance of the Company and enacting numerous measures to ensure that these improvements are implemented in the most advantageous way;



- considered that, given the current complex situation in which the Company finds itself due to the circumstances described above, it would perhaps be opportune to make a further break with the past and, at the same time, ensure the Administration regime was concluded as soon as possible;
- considered that, following extensive deliberations that focused exclusively on the interests of the Company, the preferable solution appeared to be for the Board to resign permitting the appointment of a new Board of Directors;
- recognised that the 2016 financial year had just ended and that the Board of Directors must ensure the preparation of the Financial Statements and Consolidated Financial Statements and present the financial documents to the Shareholders' Meeting, convened under law, for its approval.

Given the above, the Chairperson, Mr Roberto Rettani, the Directors Ms Joyce Victoria Bigio, Mr Renato Borghi, Mr Pier Andrea Chevallard, Mr Attilio Fontana, Ms Licia Ronzulli and Ms Vincenza Patrizia Rutigliano (Mr Romeo Robiglio having justified his absence) resigned their positions thereby forcing the retirement of the Board of Directors with effect from the date of the Shareholders' Meeting convened to approve the Financial Statements at 31 December 2016. Under Article 14.2 of the Company Articles of Association the same Shareholders' Meeting will be convened to deliberate on the agenda that will include the appointment of a new Board of Directors.

The Board maintained that the Chief Executive Officer should also resign his responsibilities. Mr Corrado Peraboni, who, having reported on the circumstances, had absented himself from the Board meeting to allow the Board of Directors to evaluate and approve the measures in the greatest interests of the Company, having learnt of the resignations of the Directors also offered his resignation effective from the same date.

During the Board meeting of 13 January 2017, the Board of Directors vested the Chairperson with the powers for the ordinary management of the Company in order to ensure the continuity of the business. At the Board meeting of 19 January 2017, the Board of Directors determined the best way of carrying out the ordinary management of the Company.

Also at this meeting the responsibility of overseeing the internal audit was given to the Chairperson of the Control and Risk Committee, the Director Ms Joyce Victoria Bigio; at the same meeting it was decided that the role of the Director in charge of the internal control system and risk management under Article 7 of the Self-regulatory Code should remain with the Chairperson.

On 24 January 2017, the Board of Directors of Fiera Milano, in order to adhere to the timing required to convene the Shareholders' Meeting to appoint the corporate bodies based on lists of candidates, as required by Article 125-bis, paragraph 2, of Legislative Decree 58/98, amended the 2017 corporate events timetable, which had been published on 22 December 2016. The Board of Directors brought forward the Board Meeting to approve the draft Financial Statements and Consolidated Financial Statements at 31 December 2016 to 10 March 2017 from the original date of 13 March 2017.

On 27 January 2017, at the end of the hearing held on 26 January 2017, the Milan Court – Prevention Court Independent Section:

- refused the request of the Public Prosecutor to change the terms of the Administration orders “to give it complete control of the administrative bodies”;
- stated that the administrative and management responsibilities should remain with the Board of Directors;
- at the same time, it gave the Court-appointed Administrator the following additional powers within the Company: i) to approve operating procedures to safeguard the legality of administrative matters already contracted with third-party consultants; ii) to approve, in particular as far as concerns the means and timing of contract renewals, the contract procedures to acquire goods and services already in existence



with third-parties; iii) to monitor the efficacy and timing of measures taken by the Company to improve the legal safeguards of administrative actions for the duration of the Administration order; iv) quantitative and qualitative upgrading of the internal audit structure; v) to revise the audit plan and to supervise the related activity; vi) to revise the structure of corporate responsibilities for procurement and compliance; vii) to appoint and remove the person responsible for compliance and to determine his/her remuneration, as well as the procedures to verify suppliers and the procedures governing whistleblowing.

\* \* \* \*

With regard to the implications of the above for the corporate governance and internal control system of the Company, it should be noted that the Milan Court in its statement given at the conclusion of the hearing on 26 January 2017 specified that the Court-appointed Administrator “*will act with the necessary cooperation of the administrative bodies*” and that “*the administrative functions of the Company and its business management will remain the responsibility of the Board of Directors of Fiera Milano S.p.A.*”. Therefore, the provisions of the order did not change or impose limitations to the company structure of Fiera Milano or to the control bodies of the Company.

\* \* \* \*

In the Report on items on the agenda of the next Shareholders’ Meeting convened by Fiera Milano S.p.A. as an Extraordinary Shareholders’ Meeting at the request of the shareholder Fondazione Fiera Milano under Article 125-ter, paragraph three of Legislative Decree of 24 February 1998 no. 58 and subsequent amendments dated 24 February 2017 and the subsequent communication dated 2 March 2017, the shareholder Fondazione E.A. Fiera Internazionale di Milano proposed the amendments to the Articles of Association of the Company that are described in the documentation provided in support of item one on the agenda of the Extraordinary Shareholders’ Meeting.

Together with this Report, the Company has made publicly available the evaluation made by its Board of Directors as required by Article 125-ter of Legislative Decree 58/1998.

## Tables

The two tables on the following pages summarise the Company’s adherence to the main corporate governance aspects of the Self-regulatory Code.

The first table gives the structure of the Board of Directors and its internal committees. It lists the Directors and the category to which they belong (executive, non-executive and independent). It also shows the composition of the various committees.

The second table gives the composition of the Board of Statutory Auditors. It lists the members of the Board, both standing and substitute, and indicates if they have been nominated from lists put forward by non-controlling interests.

Both tables give information on the number of meetings held by the Board of Directors, the various committees and by the Board of Statutory Auditors and the attendance rate of each individual member. The tables also show the number of administrative positions held in other companies; these have also been detailed in this Report.



## Structure of the Board of Directors and Committees

BOARD OF DIRECTORS												Control and Risk Committee		Remuneration Committee	
Position	Constituent	Year of birth	Date first appointed	Duration of appointment	List	Exec-utive	Non-executive	Independent under the Code	Indep. under the Consol. Finance Act (TUF)	(*)	No. of other positions held**	(***)	(*)	(***)	(*)
Chairperson	Roberto Rettani <sup>(*)</sup>	1953	29.04.2015	a	c	X				19/19					
Deputy Vice Chairperson	Attilio Fontana	1952	16.04.2009	a	c		X	X	X	18/19				C	10/10
Vice Chairperson	Licia Ronzulli	1975	29.04.2015	a	c		X	X	X	18/19				M	8/10
Director	Joyce Victoria Bigio	1954	29.04.2015	a	c		X	X	X	18/19		C	11/11		
Director	Renato Borghi <sup>(*)</sup>	1948	29.10.2006	a	c		X		X	14/19		(*)			
Director	Pier Andrea Chevallard	1951	08.02.2010	a	c		X	X	X	17/19	2				
Director	Corrado Peraboni <sup>(*)</sup>	1964	29.04.2015	b	c					19/19					
Director	Romeo Robiglio	1931	27.10.2003	b	c		X			18/19				M	9/10
Director	Vincenza Patrizia Rutigliano	1968	29.04.2015	a	c		X	X	X	16/19		M	10/11		

	Board of Directors	Control and Risk Committee	Remuneration Committee
Number of meetings held in the financial year to 31 December 2016	19	11	10
Quorum required for the presentation of lists of nominees by minority shareholders (ex art.147-ter Consolidated Finance Act):	2.50%		

### NOTES

- (\*) This column shows the attendance rate of Directors at Board Meetings and at Committee meetings. It gives the number of meetings attended compared to the number of meetings held. (no.attended/no. of meetings held during the period under review when the Director held office).
- (\*\*) This column shows the number of other positions held in listed companies, banks or insurance companies.
- (\*\*\*) This column shows the role of the Director on the committee: "C": Chairperson; "M": member.
- (•) Following the resignation by Mr Peraboni from his responsibilities as CEO, on 13 January 2017, the Board of Directors assigned the responsibility for the ordinary management of the Company to the Chairman, Mr Rettani. Having assumed responsibility for the ordinary management of the Company, the Chairperson no longer met the requirements for independence of the Self-regulatory Code of Borsa Italiana or those under Article 148, paragraph 3 of Legislative Decree no.58 of 24 February 1998.
- (◊) Mr Peraboni held the position of Chief Executive Officer until 13 January 2017, the date on which he resigned these responsibilities.
- (o) The Director Mr Borghi was a member of the Control and Risk Committee until 17 February 2017, the date on which he resigned. During the 2016 financial year, Mr Borghi attended 6/11 meetings of the Control and Risk Committee.
- (a) Appointed by the Shareholders' Meeting of 29 April 2015 for a three-year period ending with the approval of the Financial Statements at 31 December 2017. However, following the resignation on 13 January 2017, the Board member will remain in position until the date of the Shareholders' Meeting to approve the Financial Statements and Consolidated Financial Statements at 31 December 2016.
- (b) Appointed by the Shareholders' Meeting of 29 April 2015 for a three-year period ending with the approval of the Financial Statements at 31 December 2017. However, the resignation on 13 January 2017, of the majority of the members of the Board of Directors caused the resignation of the entire Board. The Board member will remain in position until the date of the Shareholders' Meeting to approve the Financial Statements and Consolidated Financial Statements at 31 December 2016.
- (c) Appointed from the only list put forward by the controlling shareholder Fondazione E.A. Fiera Internazionale di Milano.



## Structure of the Board of Statutory Auditors

Position	Constituent	Year of birth	Date first appointed	In office from/ until	List	Independent under the Code	Attendance at the meetings (%) <sup>(*)</sup>	Number of other positions held <sup>(**)</sup>
Chairperson	Federica Palmira Nolli	1959	29.04.2015	a	b	X	21/23	-
Statutory Auditor	Antonio Guastoni	1951	29.04.2015	a	b	X	21/23	-
Statutory Auditor	Carmine Pallino	1967	29.04.2015	a	b	X	20/23	-
Substitute Auditor	Francesca Maria D'Alessandro	1970	29.04.2015	a	b			
Substitute Auditor	Alessandro Carlo Galli	1973	29.04.2015	a	b			

Number of meetings held in the financial year to 31 December 2016	23
Quorum required for the presentation of lists of nominees by minority shareholders (ex art. 148 TUF)	2.50%

### NOTES

- (\*) This column shows the attendance rate of the statutory auditors at the meetings of the Board of Statutory Auditors (no. of times present/ no. of meetings held during the period of appointment).
- (\*\*) This column shows the number of appointments as director or statutory auditor held, in accordance with Article 148 bis of the Consolidated Finance Act.
- (a) Appointed by the Shareholders' Meeting of 29 April 2015 for a three-year period ending with the approval of the Financial Statements at 31 December 2017.
- (b) Appointed from the only list presented, which was that of the controlling shareholder Ente Autonomo Fiera Internazionale di Milano.



# Proposals for the Ordinary Meeting of Shareholders

The Ordinary Meeting of shareholders of Fiera Milano SpA will be convened once in Rho (Milan), in the Auditorium in the Centro Servizi of the Exhibition Site, Strada Statale del Sempione 28, (reserved parking is available with entry from Porta Sud), on 21 April 2017 at 14.30 hours.

(Report pursuant to Article 125-ter, paragraph 1, of Legislative Decree 24/02/1998, no. 58 and subsequent amendments)

- 1. Financial Statements at 31 December 2016, the Board of Directors' Management Report, the Report of the Board of Statutory Auditors, The Report of the Independent Auditors. Resolutions pertaining thereto and resulting therefrom. Presentation of the Consolidated Financial Statements at 31 December 2016.

Dear shareholders,

The preliminary Financial Statements for the financial year ended 31 December 2016 that we submit for your attention show a net loss of Euro 25,159,578.92, which we propose should be covered as indicated below. We also submit the Group Consolidated Financial Statements for the financial year to 31 December 2016 for your attention; although these are not subject to approval by the Shareholders' Meeting, they complement the information provided in the Financial Statements of Fiera Milano SpA.

Given the above, we submit for your approval the following

## proposed resolution

*"The Shareholders' Meeting of Fiera Milano SpA, having considered the Board of Directors' Management Report, the Report of the Board of Statutory Auditors and the Report of the Independent Auditors, and having examined the Financial Statements for the year to 31 December 2016,*

## approves

- 1) *the Financial Statements for the year to 31 December 2016, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the relative explanatory and supplementary notes to the financial statements that show a net loss of Euro 25,159,578.92 as presented by the Board of Directors in its entirety, and each individual item with the proposed allocations, as well as the Board of Directors' Management Report;*
- 2) *to cover the net loss of Euro 25,159,578.92 for the financial year by using the share premium reserve;*
- 3) *to cover the residual losses of the preceding financial year of Euro 154,268.60 by using the share premium reserve.*





- 2. Appointment of the Board of Directors and its Chairperson, following prior decisions regarding the length of its mandate and the number of its members; decision regarding its remuneration. Resolutions pertaining thereto and resulting therefrom.

Dear shareholders,

The mandate of the Board of Directors was given at the Shareholders' Meeting of 29 April 2015 and should have expired at the Shareholders' Meeting to approve the financial statements at 31 December 2017.

On 13 January 2017, the majority of Directors resigned their positions from the date of the Shareholders' Meeting to approve the Financial Statements at 31 December 2016, thereby forcing the dissolution of the Board of Directors.

We would like to thank you for the faith you placed in us and would ask you to approve, under Article 2364, paragraph 1, point 2) of the Italian Civil Code, the appointment of a new administrative body, following prior decision regarding the length of its mandate, the number of its members, in accordance with the prevailing laws and regulations and with the Articles of Association that are available on the Company website [www.fieramilano.it](http://www.fieramilano.it) in the section *Investor Relations/Corporate Governance/Articles of Association*.

We also invite you to appoint the Chairperson of the Board of Directors.

In this regard, we would remind you that:

- Under Article 14.1 of the Articles of Association, the mandate of the administrative body may not exceed three financial years and that the number of its members may not be less than three or more than nine, including the Chairperson;
- the outgoing Directors may be re-appointed;
- the Directors must meet the requirements under prevailing law;
- to meet the provisions of Article 147-ter, paragraph four of Legislative Decree no. 58/1998, at least one member of the Board of Directors, or two members if the Board of Directors is made up of more than seven members, must meet the requirements of independence required of Statutory Auditors under Article 148, paragraph three of Legislative Decree no. 58/1998;
- appointment of members of the Board of Directors takes place based on lists presented by shareholders who, under the Articles of Association, prevailing laws, and Consob Resolution no. 19856 of 25 January 2017, alone or with other shareholders, represent at least 2.5% of the Company share capital;
- in accordance with the provisions of Article 147-ter, paragraph three of Legislative Decree no. 58/1998 and Article 14.4 of the Articles of Association, at least one Director must be appointed from the list presented by non-controlling interests that obtains the greatest number of votes and that is in no way connected, directly or indirectly, with the shareholders that presented, took part in presenting, or voted for the list receiving the highest number of votes;
- under Article 14.4 of the Articles of Association, the lists must respect gender balance in order to ensure that the least represented gender is a minimum of one-third of the candidates on any list;
- the presentation of the lists of candidates to be members of the Board of Directors and their appointments must be made in accordance with the provisions of Article 14.4 of the Articles of Association and of prevailing law. Lists that fail to comply with these provisions will not be recognised as having been presented;
- if just one list is presented or if no list is presented, the Shareholders' Meeting will appoint the Board of Directors in accordance with the majorities under the law ensuring that the requirement for gender balance is met.



Furthermore, we would point out to those shareholders who wish to propose candidates for the positions of Director that:

- since 15 November 2016, Fiera Milano S.p.A. is no longer part of the STAR segment of the Italian Stock Exchange (MTA – *Mercato Telematico Azionario*) of Borsa Italiana S.p.A. (hereinafter, “**Borsa Italiana**”) but has stated its intention to adhere to the qualitative standards of corporate governance, information transparency, and liquidity required by the STAR segment and, therefore, in accordance with Borsa Italiana Rules and relevant Regulations, intends:
  - i. to ensure the presence of two independent Directors in a Board of Directors composed of up to a maximum of eight members and of three independent Directors in a Board of Directors composed of nine or up to a maximum of fourteen members;
  - ii. to apply the provisions and criteria of Articles 2 and 3 of the Self-regulatory Code of Listed Companies (hereinafter the “**Self-regulatory Code**”) regarding the composition of the Board of Directors;
- the proposals for appointees must be deposited at the Company’s registered office or, preferably at the operational and administrative offices of the Company in Rho (Milan), S.S. del Sempione 28, at least twenty-five days prior to the date fixed for the only convocation of the Shareholders’ Meeting, and must be accompanied by:
  - i. information on the identities of the shareholders presenting the list and the percentage of the share capital they hold, as well certification of ownership of the shares given in accordance with law by authorised intermediaries;
  - ii. the certification proving ownership of the shares on the date the lists were deposited may be provided at a later date but at least twenty-one days prior to the date fixed for the only convocation of the Shareholders’ Meeting;
  - iii. statements in which individual candidates, of their own responsibility, accept their candidacy and testify to the absence of causes of ineligibility and incompatibility, and to the existence of the requisites for taking office under prevailing law, including the requirements for probity under Article 148, paragraph four of Legislative Decree 58/98, reiterated in Article 147-*quinquies* of the same Legislative Decree 58/98, and personal statements indicating that they have the prerequisites of independence demanded of Statutory Auditors under prevailing law and the Self-regulatory Code;
  - iv. a personal and professional *curriculum vitae* of each candidate that lists the administration and control positions held in other companies;
- the lists will be made publicly available by the Company at least twenty-one days before the date fixed for the Shareholders’ Meeting in accordance with the Articles of Association and Article 144-*octies* of the Rule under Consob Resolution no. 11971/1999 and subsequent amendments and additions (hereinafter the “**Listing Rules**”).

We also ask you to decide – under Article 2364, paragraph 1, point 3) of the Italian Civil Code – the annual overall remuneration to be paid to the Directors and the remuneration to be paid to the Chairperson of the Board of Directors.

The Board of Directors leaves to the Shareholders’ Meeting all decisions regarding the appointment of the Board of Directors, the number of its members, the length of the mandate of the Directors and their remuneration.



### 3. Report on Remuneration pursuant to Article 123-ter of Legislative Decree 58/98. Resolutions pertaining thereto and resulting therefrom

Dear shareholders,

On 10 March 2017, the Board of Directors, in accordance with prevailing law, approved the Report on Remuneration under Article 123-ter of Legislative Decree 58/98 (hereinafter also the “**Report**”), which was made publicly available on 10 March 2017.

In particular, the Directors would like to submit for your consideration Section One of the aforementioned Report, which defines the principles and guidelines to which the Board of Directors must adhere when setting the remuneration payable to members of the Board of Directors and, in particular, Directors with specific responsibilities, members of the Committees, and the Executives with Strategic Responsibilities of the Group.

The Remuneration Policy (hereinafter also the “**Policy**”) is the result of a clear and transparent process in which the Company Board of Directors and the Remuneration Committee play central roles.

The Board of Directors of Fiera Milano SpA, on the proposal of the Remuneration Committee, has adopted the Policy that was prepared also following the recommendations of Article 6 of the Self-regulatory Code as most recently modified in July 2015.

Specifically, the Remuneration Policy of Fiera Milano SpA aims to:

- attract, motivate and retain resources with the professional qualities necessary to the advantageous pursuit of the Group objectives;
- align the interests of management with those of the shareholders, pursuing the main aim of sustainable value creation over the medium-long term by forging a strong link between remuneration on the one hand and individual and Group performance on the other;
- reward merit so as to recognise adequately the individual contribution made by employees.

For details of the Report on Remuneration and, in particular, Section One that we submit for your consideration, please refer to the document which is available on the Company website [www.fieramilano.it](http://www.fieramilano.it) in the section *Investor Relations/ Corporate Governance/ Shareholders’ Meetings*.

Given the above, we submit for your approval the following

#### **proposed resolution**

*“The Shareholders’ Meeting of Fiera Milano SpA, having considered the Report on Remuneration pursuant to Article 123-ter of Legislative Decree 58/98 and, in particular, Section One of the Report,*

#### **approves**

*the Report on Remuneration pursuant to Article 123-ter of Legislative Decree 58/98 and, in particular, Section One of the Report”.*



- 4. Authority for the buy back and disposal of treasury shares under Articles 2357 and 2357-ter of the Italian Civil Code, following prior cancellation of the decision of the Shareholders' Meeting of 28 April 2016. Resolutions pertaining thereto and resulting therefrom.

**(Report pursuant to Article 73 and Attachment 3A of the Rule adopted with Consob Resolution no. 11971/99 of and subsequent modifications and additions)**

Dear shareholders,

The Shareholders' Meeting of 28 April 2016 authorised the Company to buy back treasury shares for a period of 18 months from the date the authority was approved and to dispose of all and/or part of the shares acquired with no time limits and even before the purchase mandate has been exhausted.

With this authority Fiera Milano bought back 294,010 treasury shares and, therefore, at today's date, holds, directly and indirectly 939,018 treasury shares, equivalent to 1.31% of the share capital.

Since the aforementioned authority expires on 28 October 2017, in order to avoid convening a special Shareholders' Meeting around this expiry date, we believe that it would be useful to propose that you grant a new authority to buy back and dispose of treasury shares in accordance with Articles 2357 and following of the Italian Civil Code, following prior cancellation of the existing authority.

The buy back of the Company's own ordinary shares will be carried out in accordance with the existing rules for listed companies and any other European Union and national laws that are applicable.

The reasons and procedures for the buy back and disposal of treasury shares for which we request your authority are given below.

**A) Reasons for the request for authority to buy back and dispose of treasury shares**

The Board of Directors is requesting this authority as it is of the opinion that the buy back of treasury shares could represent an attractive investment opportunity and/or may be instrumental in improving the financial structure of the Company as it may facilitate future agreements involving the exchange of shareholdings.

The authority is requested in order to carry out transactions, in accordance with enacted law and regulations, to stabilise share price movements linked to anomalies in the market and improve the liquidity of the shares.

The authority is also requested so that treasury shares are available for use in stock option incentive plans that may be approved under the provisions of law or as part of any bond issue convertible into shares of the Company.

It is also proposed that, at the same time, the Shareholders' Meeting authorises the Board of Directors to dispose, under the conditions and within the limits stipulated below, of any shares purchased, as well as of any treasury shares already held as this facility is considered an important component of management and strategic flexibility.

**B) Maximum number and nominal value of the shares to which the authority applies; compliance with the provisions of paragraph 3 of Article 2357 of the Italian Civil Code**

The buyback mandate requested applies to the Company's ordinary shares that have no nominal value and, in accordance with Article 2357, paragraph 3, of the Italian Civil Code, may not exceed one-fifth of the share capital, including the shares held by the Company and its subsidiaries at today's date. Directions given to the subsidiaries will require them to give prompt notice of any purchase of shares in Fiera Milano SpA in order to ensure compliance with the aforementioned total limit of 20% of the share capital of the Company.

At the date of the present Report, the issued and fully paid up share capital is Euro 42,445,141.00 (forty-two million four hundred and forty-five thousand one hundred and forty-one) and is made up of 71,917,829 (seventy-one million nine hundred and seventeen thousand eight hundred and twenty-nine) registered shares with no nominal value.



The consideration paid or received for transactions in treasury shares will be recognised directly in equity as required by IAS 32 and the accounting treatment thereof will comply with any regulations that may be enacted.

### **C) Duration of the authority**

The buyback authority is requested for a period of eighteen months from the date of approval by the Shareholders' Meeting, while the authority for the Board of Directors to dispose of the shares is requested without a time limit.

### **D) Consideration for the buyback and disposal of shares**

Without prejudice to the provisions of paragraph E) below, treasury shares may be purchased under the provisions regarding transactions in Article 3 of the Commission Delegated Regulation (EU) 2016/1052 (the "**Regulation 1052**") supplementing Regulation (EU) 596/2014 (the Market Abuse Regulation, hereinafter "**MAR**") and the applicable provisions of the Italian Civil Code at a price that is no higher than the higher of the price of the most recent independent transaction and the current highest independent offer price in the market where the acquisition transaction is done subject to the unit price of the shares being no higher than 10% and no lower than 10% of the reference price recorded by Fiera Milano shares on the Italian stock exchange (MTA – *Mercato Telematico Azionario*) organised and managed by Borsa Italiana SpA in the trading session preceding each individual transaction.

The shares may be sold, even before the buyback mandate has been exhausted, in one or more tranches and the selling price must be no lower than that of the lowest purchase price.

This price limit will not be applicable in the event the shares are disposed of as part of a stock option plan.

### **E) Procedures for the buyback of treasury shares**

The buyback of treasury shares may be made in one or more tranches, in compliance with applicable laws and regulations including the market procedures recognised by Consob.

Purchases of treasury shares must be made respecting the provisions of Article 3 of Regulation 1052 and the applicable provisions of the Italian Civil Code and in such a way as to ensure equal treatment for all shareholders in accordance with Article 132 of Legislative Decree no. 58/1998, exclusively in the following ways:

- i.* public offer to buy or exchange;
- ii.* on regulated markets in accordance with the operating procedures established by the rules for the organisation and management of said markets, which do not allow the direct matching of buy orders with sell orders at a predetermined price;
- iii.* purchase and sale of derivative instruments traded on regulated markets that provide for the physical delivery of underlying shares, on the condition that the rules for organisation and management of the market provide for procedures that comply with those under Article 144-bis, paragraph 1, section c) of the Listing Rules.

Disposals may be made, even before the buyback authority has been exhausted, in one or more tranches, through sales on regulated and/or unregulated markets, or off market, or by public offer, or as consideration for the purchase of shareholdings or by way of a distribution to shareholders.

Given the above, we submit for your approval the following

#### **proposed resolution**

*"The Shareholders' Meeting of Fiera Milano SpA of 21 April 2017,*

*– having considered the proposal of the Board of Directors,*

*– having taken account of the provisions of Articles 2357 and 2357-ter of the Italian Civil Code,*



**approves**

- 1) *the cancellation of the authority to buy back and dispose of treasury shares approved by the Ordinary Shareholders' Meeting of 28 April 2016;*
- 2) *authorising the Board of Directors, in accordance with and by effect of Article 2357 and following of the Italian Civil Code, to buy back shares of the Company, in the amount, at the price, and according to the procedures described below:*
  - *that purchases may be made in one or more tranches up to 18 months from the date of the present resolution;*
  - *that the purchase price of each share is no higher than the higher of the price of the most recent independent transaction and the current highest independent offer price in the market where the acquisition transaction is done subject to the unit price of the shares being no higher than 10% and no lower than 10% of the reference price recorded by Fiera Milano shares on the Italian stock exchange (MTA – Mercato Telematico Azionario) organised and managed by Borsa Italiana SpA in the trading session preceding each individual transaction;*
  - *that the maximum number of shares purchased, including treasury shares already held by the Company and its subsidiaries, must not have a total nominal value that exceeds one fifth of the share capital;*
  - *that purchases of treasury shares may be made in one or more tranches, in compliance with applicable laws and regulations including the market procedures recognised by Consob. The buyback of treasury shares must be made respecting the provisions of Article 3 of Regulation 1052 and the applicable provisions of the Italian Civil Code and in such a way as to ensure equal treatment for all shareholders in accordance with Article 132 of Legislative Decree no. 58/1998, exclusively in the following ways:*
    - i. *public offer to buy or exchange;*
    - ii. *on regulated markets in accordance with the operating procedures established by the rules for the organisation and management of said markets, which do not allow the direct matching of buy orders with sell orders at a predetermined price;*
    - iii. *purchase and sale of derivative instruments traded on regulated markets that provide for the physical delivery of underlying shares, on the condition that the rules of organisation and management of the market provide for procedures that comply with those provided in article 144-bis, paragraph 1, section c) of the Listing Rules;*
- 3) *authorising the Board of Directors under enacted law to dispose of part or all of the shares with no time restrictions even before the buyback authority has been exhausted; the disposals may be made through sales on regulated and/or unregulated markets or off market, or by public offer, or as consideration for the purchase of shareholdings or by way of a distribution to shareholders.*

*The selling price must be no lower than that of the lowest purchase price.*

*This price limit will not be applicable in the event the shares are disposed of as part of a stock option plan;*
- 4) *granting the Board of Directors and, acting on its behalf, the appointed Chairperson and Chief Executive Officer, jointly and severally, any necessary power to make purchases or disposals and, however, to implement the aforementioned resolutions, also through agents, complying with any eventual request from the competent authorities.”*

Rho (Milan), 10 March 2017

On behalf of the Board of Directors

**The Chairperson**

Roberto Rettani





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# Consolidated Financial Statements:

## Consolidated Statement of Financial Position

(€'000)			
Notes		31.12.2016	31.12.2015
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
5	Property, plant and equipment	14,509	14,746
6	Leased property, plant & equipment	2	9
	Investments in non-core property	-	-
7	Goodwill and intangible assets with an indefinite useful life	94,216	104,945
8	Intangible assets with a finite useful life	17,777	29,408
9	Equity accounted investments	18,198	16,955
10	Other investments	29	29
	Other financial assets	-	-
11	Trade and other receivables	12,473	13,035
48	of which from related parties	11,862	12,125
12	Deferred tax assets	3,678	3,175
	<b>Total</b>	<b>160,882</b>	<b>182,302</b>
	<b>Current assets</b>		
13	Trade and other receivables	52,227	63,932
48	of which from related parties	8,372	5,341
14-48	Inventories	5,480	1,884
	Contracts in progress	-	-
15	Current financial assets	2,622	-
48	of which from related parties	2,622	-
16	Cash and cash equivalents	20,904	56,092
	<b>Total</b>	<b>81,233</b>	<b>121,908</b>
	<b>Assets held for sale</b>		
3	Assets held for sale	3,436	-
	<b>Total assets</b>	<b>245,551</b>	<b>304,210</b>
	<b>EQUITY AND LIABILITIES</b>		
17	<b>Equity</b>		
	Share capital	41,645	41,818
	Share premium reserve	35,668	65,679
	Revaluation reserve	-	-
	Other reserves	1,714	(6,936)
	Retained profits/(losses)	4,773	(17,003)
	Profit/(loss) for the year	(22,794)	1,014
	<b>Total Group equity</b>	<b>61,006</b>	<b>84,572</b>
	<b>Equity attributable to non-controlling interests</b>	<b>673</b>	<b>696</b>
	<b>Total equity</b>	<b>61,679</b>	<b>85,268</b>
	<b>Non-current liabilities</b>		
	Bonds in issue	-	-
18	Bank borrowings	14,108	10,922
19-48	Other financial liabilities	42	2,094
20	Provisions for risks and charges	3,584	3,343
21	Employee benefit provisions	9,302	10,672
22	Deferred tax liabilities	3,523	5,709
	Other non-current liabilities	-	-
	<b>Total</b>	<b>30,559</b>	<b>32,740</b>
	<b>Current liabilities</b>		
	Bonds in issue	-	-
23	Bank borrowings	45,542	39,466
24	Trade payables	41,114	49,267
25-48	Advances	40,239	34,880
26	Other current financial liabilities	3,364	16,036
48	of which to related parties	2,503	15,225
27	Current provision for risks and charges	4,763	3,915
28	Current tax liabilities	1,605	5,168
29	Other current liabilities	16,513	37,470
48	of which to related parties	3,490	5,832
	<b>Total</b>	<b>153,140</b>	<b>186,202</b>
	<b>Liabilities held for sale</b>		
3	Liabilities held for sale	173	-
	<b>Total liabilities</b>	<b>245,551</b>	<b>304,210</b>



## Consolidated Statement of Comprehensive Income

(€'000)		2016	2015 restated <sup>(*)</sup>
Notes			
33-48	Revenues from sales and services	221,041	335,172
	<b>Total revenues</b>	<b>221,041</b>	<b>335,172</b>
34-48	Cost of materials	2,281	4,859
35	Cost of services	121,423	164,602
48	of which with related parties	1,350	1,040
36	Cost of use of third-party assets	49,837	61,265
48	of which with related parties	45,891	45,882
48	of which non-recurring with related parties	-	10,000
37-48	Personnel expenses	44,101	61,023
38-48	Other operating expenses	4,222	5,705
	<b>Total operating expenses</b>	<b>221,864</b>	<b>297,454</b>
39	Other income	3,216	2,992
48	of which with related parties	1,380	276
40	Results of equity accounted associates and joint ventures	1,259	2,828
	<b>Gross operating result</b>	<b>3,652</b>	<b>43,538</b>
41	Depreciation of property, plant and equipment	4,409	6,764
	Depreciation of property investments	-	-
41	Amortisation of intangible assets	3,989	5,541
42	Adjustments to asset values	12,771	9,657
43	Provision for doubtful receivables and other provisions	5,477	8,179
	<b>Net operating result (EBIT)</b>	<b>(22,994)</b>	<b>13,397</b>
44-48	Financial income and similar	576	824
45	Financial expenses and similar	1,561	4,331
48	of which with related parties	107	1,045
	Valuation of financial assets	-	-
	<b>Profit/(loss) before tax</b>	<b>(23,979)</b>	<b>9,890</b>
46	Income tax	(5,305)	5,987
48	of which with related parties	(3,340)	-
	<b>Profit/(loss) from continuing operations</b>	<b>(18,674)</b>	<b>3,903</b>
3	<b>Profit/(loss) from discontinued operations</b>	<b>(4,176)</b>	<b>(3,474)</b>
	<b>Profit/(loss) of the period</b>	<b>(22,850)</b>	<b>429</b>
	Profit/(loss) attributable to:		
	The shareholders of the controlling entity	(22,794)	1,014
	Non-controlling interests	(56)	(585)
17	<b>Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss</b>		
	Revaluation of defined benefit schemes	(537)	228
	Fair value stock option allocation	-	-
	Profit/(loss) from hedging instruments	-	-
	Tax effects	(128)	63
17	<b>Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss</b>		
	Currency translation differences of foreign subsidiaries	15	(1,224)
2	<b>Other comprehensive income/(loss) of equity accounted associates and joint ventures that will not be reclassified subsequently to profit or loss</b>		
	Revaluation of defined benefit schemes	35	-
	Tax effects	8	-
	Currency translation differences of foreign subsidiaries	(185)	499
	<b>Other comprehensive income/(loss) net of related tax effects</b>	<b>(552)</b>	<b>(560)</b>
	<b>Total comprehensive income/(loss) for the year</b>	<b>(23,402)</b>	<b>(131)</b>
	Total comprehensive income/(loss) for the year attributable to:		
	The shareholders of the controlling entity	(23,199)	433
	Non-controlling interests	(203)	(564)
47	<b>Earnings/(losses) per share (€)</b>		
	Basic	(0.2611)	0.1062
	Diluted	(0.2611)	0.1062

(\*) Some figures in the Consolidated Financial Statements at 31 December 2015 have been restated for comparative purposes to reflect the accounting of the Chinese companies, Worldex and Haikou Worldex, under IFRS 5.



## Consolidated Statement of Cash Flows

('000)		2016	2015 restated <sup>(*)</sup>
Notes			
	<b>Net cash at beginning of the year</b>	<b>56,092</b>	<b>12,276</b>
	<b>Cash flow from operating activities</b>		
16	Net cash from operating activities	(22,893)	52,526
48	of which from related parties	(48,535)	(54,714)
	Interest paid	(1,149)	(2,617)
	Interest received	95	91
	Income taxes paid	(126)	(1,475)
	<b>Total from continuing operations</b>	<b>(24,073)</b>	<b>48,525</b>
	<b>Total from assets held for sale</b>	<b>(463)</b>	<b>(2,024)</b>
	<b>Cash flow from investing activities</b>		
5	Investments in tangible assets	(3,004)	(3,388)
5	Write-downs of tangible assets	107	283
7-8	Investments in intangible assets	(2,501)	(1,262)
	Investments in subsidiaries	-	(2,363)
2-9	Investments in joint ventures	2,939	1,827
	<b>Total from continuing operations</b>	<b>(2,459)</b>	<b>(4,903)</b>
	<b>Total from assets held for sale</b>	<b>-</b>	<b>2,442</b>
	<b>Cash flow from financing activities</b>		
17	Equity	(318)	(108)
	Share capital increase of the Parent Company	-	65,684
18-19	Non-current financial assets/liabilities	2,119	(17,243)
15-23-26	Current financial assets/liabilities	(9,159)	(48,539)
48	of which from related parties	(17,153)	(6,688)
	<b>Total from continuing operations</b>	<b>(7,358)</b>	<b>(206)</b>
	<b>Total from assets held for sale</b>	<b>-</b>	<b>(295)</b>
17	Total translation differences	(1,298)	277
	<b>Net cash for the period from continuing operations</b>	<b>(33,890)</b>	<b>43,416</b>
	<b>Net cash for the period from assets held for sale</b>	<b>(463)</b>	<b>123</b>
	<b>Net cash at the end of the year from assets held for sale</b>	<b>1,214</b>	<b>1,677</b>
	<b>Net cash at the end of the year from continuing operations</b>	<b>20,904</b>	<b>54,415</b>

(\*) Some figures in the Consolidated Financial Statements at 31 December 2015 have been restated for comparative purposes to reflect the accounting of the Chinese companies, Worldex and Haikou Worldex, under IFRS 5.

('000)		2016	2015 restated <sup>(*)</sup>
	Net cash from operating activities		
	Result of continuing operations	(18,674)	3,903
	<i>Adjustments for:</i>		
	Profit from equity accounted investments	(1,259)	(2,828)
	Depreciation and Amortisation	8,398	12,315
	Provisions, write-downs and impairment	16,936	15,743
	Capital gains and losses	-	39
	Net financial income/expenses	985	3,520
	Net change in employee provisions	(1,907)	32
	Changes in deferred taxes	(2,561)	1,828
	Inventories	(3,688)	3,207
	Trade and other receivables	11,262	(11,574)
	Trade payables	(10,136)	12,237
	Advances	5,354	(4,519)
	Tax payables	(3,512)	4,596
	Provisions for risks and charges and other liabilities (excluding payables to Organisers)	(12,883)	7,186
	Payables to Organisers	(11,208)	6,841
	<b>Total</b>	<b>(22,893)</b>	<b>52,526</b>

(\*) Some figures in the Consolidated Financial Statements at 31 December 2015 have been restated for comparative purposes to reflect the accounting of the Chinese companies, Worldex and Haikou Worldex, under IFRS 5.



## Consolidated Statement of Changes in Equity

<i>(€'000)</i>											
Note 17	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained profits/(losses)	Profit/(loss) for the period	Total Group equity	Capital and reserves attributable to non-controlling interests	Profit/(loss) attributable to non-controlling interests	Total non-controlling interests	Total equity
<b>Balance at 31 December 2014</b>	<b>41,521</b>	<b>909</b>	<b>7,865</b>	<b>(4,478)</b>	<b>(9,828)</b>	<b>(18,955)</b>	<b>17,034</b>	<b>2,805</b>	<b>(151)</b>	<b>2,654</b>	<b>19,688</b>
Allocation of earnings at 31.12.14:	-	-	-	-	(18,955)	18,955	-	(151)	151	-	-
<i>use of reserves</i>	-	(909)	(7,865)	(1,420)	10,194	-	-	-	-	-	-
<i>dividend distribution</i>	-	-	-	-	-	-	-	-	-	-	-
Parent Company share capital increase	297	66,537	-	-	-	-	66,834	-	-	-	66,834
Expenses related to the share capital increase	-	(858)	-	-	-	-	(858)	-	-	-	(858)
Other share capital increases	-	-	-	-	-	-	-	17	-	17	17
Acquisition of 25% of Cipa Ltda	-	-	-	-	1,047	-	1,047	(932)	-	(932)	115
Acquisition of 15% of Fiera Milano Exhibitions Africa Ltd	-	-	-	207	374	-	581	(484)	-	(484)	97
Acquisition of 51% of MiCo DMC Srl	-	-	-	-	-	-	-	5	-	5	5
Remeasurement of defined benefit plans	-	-	-	-	165	-	165	-	-	-	165
Total comprehensive income/(losses) for the year	-	-	-	(1,245)	-	1,014	(231)	21	(585)	(564)	(795)
<b>Balance at 31 December 2015</b>	<b>41,818</b>	<b>65,679</b>	<b>-</b>	<b>(6,936)</b>	<b>(17,003)</b>	<b>1,014</b>	<b>84,572</b>	<b>1,281</b>	<b>(585)</b>	<b>696</b>	<b>85,268</b>
Allocation of earnings at 31.12.15:	-	-	-	-	1,014	(1,014)	-	(585)	585	-	-
<i>use of reserves</i>	-	(29,657)	8,489	-	21,168	-	-	-	-	-	-
<i>dividend distribution</i>	-	-	-	-	-	-	-	(26)	-	(26)	(26)
Expenses related to the share capital increase	-	(63)	-	-	-	-	(63)	-	-	-	(63)
Treasury shares	(173)	(291)	-	-	-	-	(464)	-	-	-	(464)
Capital contributions	-	-	-	-	3	-	3	147	-	147	150
Acquisition of 51% of La fabbrica del Libro SpA	-	-	-	-	-	-	-	59	-	59	59
Remeasurement of defined benefit plans	-	-	-	-	(409)	-	(409)	-	-	-	(409)
Total comprehensive income/(losses) for the year	-	-	-	161	-	(22,794)	(22,633)	(147)	(56)	(203)	(22,836)
<b>Balance at 31 December 2016</b>	<b>41,645</b>	<b>35,668</b>	<b>8,489</b>	<b>(6,775)</b>	<b>4,773</b>	<b>(22,794)</b>	<b>61,006</b>	<b>729</b>	<b>(56)</b>	<b>673</b>	<b>61,679</b>



# Explanatory and Supplementary Notes to the Consolidated Financial Statements

On 10 March 2017, the Board of Directors approved the Fiera Milano Group Consolidated Financial Statements at 31 December 2016 and authorised their publication.

The Fiera Milano Group is active in all the characteristic areas of the exhibition and congress industry and is one of the largest integrated exhibition companies worldwide.

The Group business consists of hosting exhibitions, fairs and other events, promoting and making available equipped exhibition spaces, as well as offering support for projects and related services. This includes the business of staging exhibitions (and providing final services to exhibitors and visitors).

The business of the Group has dual seasonality: (i) a higher concentration of exhibitions in the six months from January to June; (ii) exhibitions that have a multiannual frequency.

Greater detail on Group structure is provided in the relevant section of the Directors' Management Report on Operations.

## 1) Accounting standards and consolidation criteria

### Standards used to prepare the Consolidated Financial Statements

The Consolidated Financial Statements were prepared in accordance with IAS and IFRS accounting standards in force at 31 December 2016, issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and the relative interpretative documents and provisions of Article 9 of Legislative Decree no. 38/2005.

The accounting standards used to prepare the present Financial Statements are the same as those used to prepare the Financial Statements at 31 December 2015, except for those applicable from 1 January 2016 that are listed below.

Given the capital and financial position in the 2016 financial year, the financial forecasts in the budget and the 2017-2020 Industrial Plan, approved by the Board of Directors on 6 February 2017, the forecasts for working capital requirements and for the financial and capital position, the Financial Statements and Consolidated Financial Statements have been prepared on the principles of a going concern.

The Financial Statements are prepared in Euro and all figures are rounded to the nearest thousand Euro unless otherwise indicated. The Financial Statements give comparative data for the previous financial year; it should be noted that some numbers from the previous financial year have been restated to make the numbers comparable.

In the 2016 financial year no atypical and/or unusual transactions took place.

The present Financial Statements have been prepared on the principles of a going concern.



The risks and uncertainties affecting the Group business are described in the Board of Directors' Management Report in the section on Risk factors affecting Fiera Milano Group, in Note 32, and in paragraph 1.5 on The Use of Estimates in the Explanatory and Supplementary Notes to the Consolidated Financial Statements.

The present Financial Statements have been audited by the independent audit firm EY SpA.

### 1.1 New accounting standards, interpretations and amendments adopted

The Group has adopted for the first time some accounting standards and amendments that are applicable to financial periods beginning on or after 1 January 2016.

The content and effect of each new accounting standard and amendment is given below:

– Amendment to IAS 19 – *Defined Benefit Plans: Employee Contributions*.

IAS 19 requires an entity to account for contributions to defined benefit schemes from employees or third parties linked to service to be attributed as a cost to periods of service. The amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. If the amount of the contribution is independent of the number of years of service, contributions can, but are not required, to be recognised as a reduction in the service costs in the period in which the related service is rendered. This amendment is applicable to annual periods beginning on or after 1 February 2015. This amendment has no significance for the Group as none of the entities that form the Group receive contributions from employees or third parties.

– Amendments to IAS 16 and 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation*.

The amendments provide additional guidance for IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Fixed Assets that a depreciation method based on revenue that is generated by an activity (that includes the use of an asset) reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part rather than the pattern of consumption of an asset's expected future economic benefits. As a result a depreciation method that is revenue-based may not be used for intangible assets except in limited circumstances when this presumption can be overcome. The amendments are effective for annual periods beginning on or after 1 January 2016. They have had no impact on the Group as the Group does not use revenue-based amortisation methods for non-current assets.

– Amendment to IFRS 11 – *Accounting for Acquisitions of Interests in Joint Operations*.

The amendment to IFRS 11 requires that the acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply all of the principles on business combinations accounting in IFRS 3 – *Business Combinations*. The amendment also makes it clear that any previously held interest in the joint operation would not be remeasured if the joint operator acquires an additional interest while retaining joint control. Furthermore, an exception has been added to IFRS 11 to clarify that the amendments do not apply when the parties who have joint control, including the reporting entity, are themselves both controlled by the same third party.

The amendments apply to the acquisition of both the initial interest and additional interests in a joint operation where joint control is maintained. The amendments apply prospectively to acquisitions in scope that occur on or after the effective date. These amendments had no impact on the Group as it made no acquisitions of interests in joint operations in the period under review.

– Amendments to IAS 16 and IAS 41 – *Financial reporting for bearer plants*.



- Amendments to IFRS 10, IFRS 12 and IAS 28 – *Investment Entities: Applying the Consolidation Exception*.  
The amendments address issues that arose in the context of applying the consolidation exception for investment entities under IFRS 10 – *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity even if the investment entity measures all of its subsidiaries at fair value.  
The amendments to IFRS 10 also state that a subsidiary that provides services related to the activities of the investment should not be consolidated if the subsidiary itself is an investment entity. All the other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 – *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.  
The amendments must be applied retrospectively but had no impact on the Group as it does not apply the consolidation exception for investment entities.
- Amendments to IAS 27 – *Equity Method in Separate Financial Statements*.  
The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements. An entity that has already adopted IFRS and decides to change the accounting criteria in its separate financial statements to use the equity method must apply the change retrospectively. These amendments had no impact on the Consolidated Financial Statements of the Group.
- Amendments to IAS 1 – *Disclosure Initiative*.  
The amendments to IAS 1 – *Presentation of Financial Statements* clarify, rather than significantly change, the existing IAS 1 requirements. The amendments clarify:
  - the materiality requirements in IAS 1.
  - that specific line items in the statement(s) of profit or loss, the statement of other comprehensive income and the statement of financial position may be disaggregated.
  - that entities have flexibility as to the order in which they present the notes to the financial statements.
  - that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item that will or will not be subsequently reclassified to profit or loss.Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and of other comprehensive income. These amendments had no impact on the Consolidated Financial Statements of the Group.
- IFRS – *Annual Improvements Cycle 2012-2014*.  
This document amended IFRS 5, IFRS 7, IAS 19, and IAS 34 for matters requiring clarification.  
The amendment to IAS 34 – Disclosure of information “elsewhere in the interim report” clarifies the requirement relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.
- IFRS – *Annual Improvements Cycle 2010-2012*.  
The aim of the annual improvements, started in 2011, is to make necessary but non-urgent amendments to inconsistencies or where clarification in wording is required in IFRS; the proposed amendments are recommended to the IASB before they are issued. Some amendments are clarifications or corrections to IFRS (IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) others are changes to existing requirements or provide further information regarding their application (IFRS 2 and 3).





The aforementioned amendments to IAS/IFRS had no significant impact on the Consolidated Financial Statements of the Group at 31 December 2016.

The following accounting standards were approved by the European Union during 2016 but are not applicable for the 2016 Financial Statements:

– IFRS 9 – *Financial Instruments*.

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* that replaces IAS 39 – *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together the three aspects of the IASB project: the classification and measurement, impairment, and hedge accounting of financial instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018; early application is permitted. With the exception of hedge accounting the standard must be applied retrospectively but grants an exception to restating comparatives for classification and measurement and impairment but not for hedge accounting. IFRS 9 requires prospective application of the hedge accounting requirements but specifies a limited number of exceptions.

The Group will adopt this standard from the date it is effective. During 2016, the Group carried out a preliminary analysis of all three aspects of IFRS 9. This preliminary analysis was based on the information available and could be subject to change following a more detailed analysis and if further information for the Group becomes available in the future. In principle, the Group does not expect any significant impact on its financial statements and equity from the introduction of IFRS 9.

– IFRS 15 *Revenue from Contracts with Customers*.

IFRS 15, issued in May 2014, is a new five-step model for recognising revenue from contracts with customers. Under IFRS 15 an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The new standard will supersede virtually all of the revenue standards and interpretations in IFRS. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and requires retrospective application, either full retrospective adoption in which the standard is applied to all of the periods presented or a modified retrospective adoption. Early adoption is permitted.

The Group will apply the new standard from the effective date with full retrospective adoption. During 2016, the Group carried out a preliminary analysis of the possible effects of IFRS 15, which may be subject to changes following the more detailed analysis which is currently underway. Furthermore, the Group is considering the clarifications issued by the IASB in the Exposure Draft of July 2016 and will assess any further developments.

IFRS 14 – *Regulatory Deferral Accounts* issued by the IASB has yet to be approved by the European Union.

## 1.2 Form and content of the Consolidated Financial Statements

With regard to the form and content of the Consolidated Financial Statements, the Group has made the following choices:

- the Consolidated Statement of Financial Position is presented with separate sections for Assets, Liabilities, and Equity. Assets and liabilities are also classified as current, non-current, and held for sale;
- the Consolidated Statement of Comprehensive Income is shown as a single statement in a continuous format and items are analysed by nature since this approach provides reliable information that is more relevant than classification by function;
- the Consolidated Statement of Cash Flows is presented using the indirect method;
- the Consolidated Statement of Changes in Equity is presented with separate entries for comprehensive income and transactions with shareholders.



### 1.3 Area and principles of consolidation

The present Consolidated Financial Statements include the Parent Company Fiera Milano SpA and its subsidiary companies, as well as companies under joint control.

The Consolidated Financial Statements are based on financial statements as at 31 December 2016 approved by the boards of directors of the companies included in the area of consolidation and prepared according to Group accounting policies and IAS/IFRS.

The list of companies included in the area of consolidation at 31 December 2016 is given in Attachment 1 to this document.

Regarding the area of consolidation:

- As part of the strategy to strengthen the portfolio of directly organised exhibitions, on 5 September 2016, Fiera Milano SpA and Ediser Srl, a service company belonging to the Associazione Italiana Editori (AIE), set up a company called La Fabbrica del Libro SpA. The two companies hold respectively 51% and 49% of the shares of the new company and, since the majority of the voting rights in the Board of Directors is with Fiera Milano SpA, control is exercised by Fiera Milano SpA.

This partnership will develop activities connected to book publishing, also through the organisation of fairs throughout Italy, to focus on all forms of publishing. The first event, Tempo di Libri, will be held in Milan from 19-23 April 2017. The event will involve editors, authors, librarians, bookshops, students and readers in a major event that combines tradition with innovation.

The fully paid up share capital comprises 120,000 ordinary shares with a value of Euro 1.0 per share with no restrictions on dividend distributions or reimbursements of paid up capital.

The company has two different classes of shares; category A shares that belong to the majority shareholder Fiera Milano SpA and category B shares belonging to Ediser Srl. The maximum amount of losses in the first two financial years (2016/2017 and 2018) that can be attributed to the category B shares is 15% of the total losses.

The first financial year will end on 31 December 2017 and estimates for the net results for 2016 and the relevant tax charge at 31 December 2016 are based on the costs and revenues generated and on estimates of the relevant applicable tax charge and tax rate.

In the period between 5 September 2016 and 31 December 2016, when it held no exhibitions, La Fabbrica del Libro SpA generated losses of Euro 0.103 million, equivalent to 0.4% of the consolidated results of the Group.

- On 4 November 2016, the Board of Directors of the Parent Company approved the sale of its 75% shareholding in the Chinese subsidiary Worldex Fiera Milano Exhibitions Co. Ltd and its subsidiary Haikou Worldex Milan Exhibitions Co. Ltd, together with the exhibition trademark Food Hospitality World China, to SingEx Exhibitions Pte Ltd.

The costs and revenues attributable to the company have been reclassified in the net results of discontinued activities, while the assets and liabilities are recognised in assets and liabilities held for sale, as described in Note 3.

## Subsidiaries

Subsidiaries are consolidated from the date when control is effectively transferred to the Group and cease to be consolidated on the date when control is transferred to third parties.

The carrying value of consolidated investments is eliminated against the corresponding portion of equity at the acquisition date, against the assumption of the liabilities and assets shown in the respective financial statements of the subsidiaries on a line-by-line basis. Acquisitions of subsidiaries are recognised using the purchase method, as required by IFRS 3 revised in 2008.



The non-controlling interests in the capital and reserves of subsidiaries are recognised in equity under non-controlling interests. Similarly, the portion of the Consolidated Income Statement pertaining to non-controlling interests is shown in profit or loss attributable to non-controlling interests.

## Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group recognises its interest in a joint venture as an investment and accounts for it using the equity method under IAS 28 – *Investments in Associates and Joint Ventures*.

In the transition from proportionate consolidation to the equity method the interest in the joint venture is shown at the start of the period presented. Initial recognition as an investment must aggregate the carrying amounts of the assets and liabilities that the entity had previously proportionately consolidated, including any goodwill arising on acquisition. If the goodwill previously belonged to a larger cash generating unit, or group of cash generating units, the entity must allocate goodwill to the joint venture according to the carrying values of the joint venture in the cash generating unit, or group of cash generating units, to which it belongs.

## Intercompany transactions

Profits and losses not yet realised that stem from transactions between consolidated companies are eliminated, as are all payables and receivables, costs and revenues, unrealised gains and losses and all other transactions between consolidated companies.

### *Translation of financial statements in foreign currencies*

At the end of the reporting period, the assets and liabilities of consolidated companies with an accounting currency that is not the Euro are translated into the presentation currency of the Group's consolidated accounts at the exchange rate in force on that date. Income Statement items are translated at the average exchange rate for the year and differences arising from the adjustment of opening equity to year-end exchange rates, as well as the differences stemming from the different methodology used for the translation of the results for the financial year, are shown in the entry, other items, of the Statement of Comprehensive Income and aggregated in a specific equity reserve.

The exchange rates used for the translation into Euro of the 2016 and 2015 financial statements of foreign companies were the following:

	average 2016	average 2015	31.12.2016	31.12.2015
South African rand	16.2645	14.1723	14.457	16.953
Brazilian reals	3.8561	3.7004	3.4305	4.3117
Russian rouble	74.1446	68.072	64.3	80.6736
Indian rupee	74.3717	71.1956	71.5935	72.0215
Yuan renminbi	7.3522	6.9733	7.3202	7.0608

Source: Banca d'Italia



## 1.4 Summary of accounting standards and valuation criteria

### Business combinations

Business combinations are accounted for by applying the purchase method in accordance with IFRS 3 revised in 2008. Under this method the transaction cost of a business combination is valued at fair value, determined as the aggregate of the fair value of the assets transferred and the liabilities assumed by the Group at the acquisition date and equity instruments issued for control of the acquired entity. All other costs associated with the transaction are expensed in the Statement of Comprehensive Income at their acquisition date value.

Contingent considerations, considered part of the acquisition consideration, must be measured at fair value at the time of the business combination. Subsequent changes to the fair value are recognised in the Statement of Comprehensive Income.

The identifiable assets acquired and the liabilities assumed are measured at fair value at the acquisition date.

Goodwill is measured as the difference between the aggregate of the acquisition-date fair value of the consideration transferred for the business combination, the amount of any non-controlling interest and the acquisition date fair value of any previously held equity interest in the acquiree and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference between the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the consideration transferred for the business combination, the amount of any non-controlling interest and the acquisition-date fair value of any previously held equity interest in the acquiree, the excess sum is immediately recognised in the Statement of Comprehensive Income as income from the transaction.

The non-controlling interest in equity at the acquisition date may be valued at fair value or the non-controlling interest's proportionate share of the identifiable net assets of the acquiree. The measurement method is carried out transaction by transaction.

In measuring the fair value of business combinations, the Fiera Milano Group uses available information and, for more material business combinations, also uses the support of external valuations.

Business combinations transacted prior to 1 January 2010 are recognised using the previous version of IFRS 3.

#### *Business combinations achieved in stages*

When a business combination is achieved in stages (step acquisition), the previously held share of the entity's assets and liabilities are measured at fair value at the date that control is obtained and any resulting adjustments are recognised in profit or loss. Previously held investments are therefore recognised as though they had been sold and reacquired at the date that control is obtained.

#### *Puttable instruments*

The concession of put options to non-controlling shareholders gives the latter the right to request that the Group redeem the shares they hold at a future date. IAS 32, paragraph 23, establishes that a contractual right to receive cash or another financial asset from the entity constitutes a financial liability for the actual



value of the exercise price of the put. Therefore, where the entity does not have the unconditional right to avoid delivering cash or another financial instrument when the put option on shares of the subsidiaries is exercised, it must recognise the financial liability. The financial liability is initially recognised at fair value corresponding to the current value of the amount to be reimbursed based on the best information available and changes in the fair value between one financial period and another are recognised in profit or loss under financial income/ expenses.

This liability is recognised in non-controlling interests or in Group equity depending on whether the risks or benefits associated with ownership of the shares underlying the options have been transferred.

### *Transactions involving non-controlling interests*

Partial disposal of an investment where control is retained is accounted for as an equity transaction. For acquisitions of additional investments in a subsidiary any gain or loss between the acquisition consideration and the related share of equity is accounted for as an equity transaction with owners as is the partial disposal of an investment in a subsidiary where control is retained.

In cases where the partial disposal of an investment in a subsidiary results in loss of control, the residual holding is remeasured at fair value and any difference between fair value and the carrying amount is a gain or a loss and is recognised in profit or loss.

## **Tangible fixed assets**

### *Property, plant and equipment*

Property, plant and equipment are recognised at purchase or production cost, including contingent costs and costs incurred, and adjusted for accumulated depreciation.

Tangible assets are depreciated in each accounting period on a straight-line basis, using economic/technical rates determined by the residual life of the assets.

Routine maintenance costs are charged to profit or loss when they are incurred.

The replacement costs of identifiable components of complex assets are allocated to the assets and depreciated over their useful lives. The residual carrying amount of the component being replaced is recognised in profit or loss.

Improvements to third-party assets are recognised in property, plant and equipment based on the nature of the cost incurred; the depreciation period corresponds to the lesser of the residual useful life of the tangible asset and the residual period of the rental contract.



The depreciation rates applied are listed below:

– Office furniture and machinery	12.0%
– Exhibition furniture and equipment	27.0%
– Catering equipment	25.0%
– Metal components to be hired out	13.5%
– Sundry machinery and equipment	15.0%
– Motor vehicles	25.0%
– Site motor vehicles	20.0%
– Electronic equipment	20.0%
– Plant and machinery	10.0%
– Telecommunication systems	20.0%
– Alarm systems	30.0%
– Furnishings	12.0%

If there is any indication of impairment, the tangible assets are subjected to an impairment test as described in the section on impairment of assets.

## Intangible fixed assets

An intangible asset is recognised only if it is identifiable, is controlled by the entity, is expected to generate future economic benefits, and if its cost can be reliably measured.

### *Goodwill and intangible assets with an indefinite useful life*

Goodwill arising from business combinations is initially recognised at cost on the acquisition date, as indicated in the paragraph above on Business Combinations, and, for purposes of the impairment test, allocated to a cash-generating unit or group of cash-generating units which benefit from the synergies generated by the acquisition that gave rise to the goodwill. After initial recognition, goodwill is measured at cost less any impairment stemming from the impairment tests (see the section on Impairment of Assets). An intangible asset is considered to have an indefinite useful life when no limit can be foreseen to the period during which the asset can generate financial inflows for the Group. Intangible assets with an indefinite useful life and goodwill are not subject to amortisation.

### *Intangible assets with a finite useful life*

Intangible assets with a finite useful life are measured at purchase or production cost, including any contingent costs, and systematically amortised on a straight-line basis over their estimated useful life. If there is any indication of impairment, the intangible assets are subject to an impairment test as described in the section on impairment of assets.

Since the last quarter of 2008, trademarks of exhibitions (i.e. exhibitor lists, visitor lists, and the actual trademark of the exhibition) and of publishing titles have been reclassified from goodwill with an indefinite life to intangible assets with a finite life. The initial choice was based on the consideration that the businesses underlying these assets, that is to say, exhibitions and specialist publications, do not lend themselves to a precise evaluation of their duration. In essence, at the time of the initial choice, no factors of a general economic, regulatory or legal



nature or factors specific to the entity or to the sector in which it is active emerged such as to set a foreseeable limit on the period during which the asset is expected to generate net cash inflows.

However, general trends in national and international markets, together with the internal competitive dynamics of the reference sectors for exhibitions and specialist publications, led to a reconsideration of the initial assumptions. After comparing the practices of the main Italian and foreign competitors, it was concluded that an estimated finite useful life of 20 years was appropriate in most cases, both for exhibitions and publications. Where the estimate of the reference time horizon for certain intangible assets was shown to be more uncertain, the useful life was set at 10 years.

The amortisation rates applied are given below:

- Exhibition trademarks 5% or 10%
- Other trademarks and publications 5% or 10%

Industrial patents, intellectual property rights, licences and concession agreements are amortised over three to ten years from the year they were acquired.

Research costs are recognised at the time they are incurred. In compliance with IAS 38, development costs relating to specific projects, including the launch of new exhibitions, are capitalised when it is probable that the project will be completed and generate future economic benefits and when such costs can be reliably measured. Their cost is amortised from the point when the asset is ready for use on a straight line basis over its useful life. The carrying value of costs is reviewed annually at the end of the reporting period or more often if there are any particular reasons for doing so to analyse the fair value and ascertain the existence of any impairment.

### *Impairment of assets*

Goodwill and other intangible assets with an indefinite life are tested for impairment at least annually at the end of the reporting period or more often if there are any indications that an asset has been impaired.

Tangible and intangible assets with a definite useful life that are depreciated or amortised are tested for impairment only when there is an indication of impairment.

The recoverable amount of the asset is the higher of its fair value less costs of disposal and its value in use. The fair value is the price that would be received from the sale of an asset in an orderly transaction between independent, informed, and willing parties, less the costs of disposal. In the absence of binding agreements, it is necessary to use the prices expressed by an active market, or the best information available taking into account factors such as recent transactions for similar assets completed in the same business segment. The value in use is the present value, discounted at the weighted average cost of capital of an entity with a similar risk profile and level of indebtedness, of the cash flows expected to arise from the asset (or from a group of assets – a cash generating unit) and from its sale at the end of its useful life.

If subsequently there is an indication that an impairment loss, other than for goodwill, may have decreased or no longer exists, the carrying value of the asset is adjusted to the new estimate of the recoverable value although this value may not exceed the value which would have been measured if there had been no impairment. Reversal of impairment is recognised in profit or loss.



## Leased assets

There are two types of leases: finance leases and operating leases.

A lease is considered a finance lease when it transfers a significant and substantial part of the risks and rewards associated with the ownership of the asset to the lessee.

Given this, as determined by IAS 17 – *Leases*, a leasing contract is considered a finance lease when the following factors are separately or jointly present:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain the option will be exercised;
- the lease term covers most of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of minimum lease payments amounts substantially to the fair value of the leased asset;
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Assets available to Group companies under leasing contracts that can be considered finance leases are recognised as tangible or intangible assets at the lower of their value at the date acquired or the net current value of the minimum charges under the contract amortised over their estimated useful life; the corresponding liability to the lessor is recognised in equity as a current or non-current financial liability depending on whether the contract expires within or beyond twelve months.

Lease payments are subdivided into principal, which is taken against financial liabilities, and interest, which is recognised in profit or loss under financial expenses.

Charges for operating leases are recognised in profit or loss *pro-rata temporis* for the duration of the contract.

## Financial assets

In accordance with the requirements of IAS 39 and IAS 32, financial assets are classified under the following four categories:

1. Financial assets at fair value through profit or loss;
2. Held-to-maturity (HTM) investments;
3. Loans and receivables;
4. Available-for-sale (AFS) financial assets.

Classification depends on the purpose for which assets are purchased and held. Management decides on their initial classification at the time of their initial recognition in the accounts, subsequently checking this classification at the end of each reporting period.

Financial assets are initially recognised at cost, which is equal to fair value plus contingent transaction costs. Subsequent measurement depends on the type of instrument concerned.

Financial assets at fair value recognised in the Income Statement, which include held-for-trading (HFT) financial assets and financial assets designated as such at the time of initial recognition, are classified among current financial assets and measured at fair value, with the gains or losses stemming from this valuation recognised in profit or loss. Gains and losses from any changes in the fair value are recognised in profit or loss.





Held-to-maturity investments are classified under current financial assets if they mature in less than 12 months and among non-current financial assets if maturity exceeds that period, and are subsequently valued at amortised cost. The latter is calculated using the effective interest method, taking into account any purchase discounts or premiums and spreading them over the entire period up to maturity, less any impairment.

Loans and receivables are valued at amortised cost using the effective interest method. At the end of each reporting period, the companies belonging to the Group measure the realisable value of these receivables taking account of estimated future cash payments or receipts through their expected life.

Available-for-sale financial assets are recognised as non-current assets, unless they are to be divested within twelve months of the end of the reporting period, and are measured at fair value. Losses or gains on available-for-sale financial assets are recognised in other comprehensive income and aggregated in a specific equity reserve, until they are sold, recovered or otherwise derecognised. When there is an indication of impairment in an available-for-sale financial asset and there is objective evidence of this, the cumulative gain or loss that was recognised in other comprehensive income is reclassified from equity to profit or loss for the period as a reclassification adjustment even if the financial asset has not been derecognised.

### *Investments*

In compliance with the requirements of IAS 39 and IAS 32, investments in companies other than subsidiaries and associates are classified as available-for-sale (AFS) and are measured at fair value except for when fair value cannot be determined; in such cases, the cost method is used. Gains and losses stemming from adjustments of value are recognised in other comprehensive income in a specific equity reserve. When there is an indication of impairment in an AFS financial asset and there is objective evidence of this, the cumulative gain or loss that was recognised in other comprehensive income is reclassified from equity to profit or loss for the period as a reclassification adjustment even if the financial asset has not been derecognised.

Investments in associates are valued using the equity method with a separate entry in the Statement of Comprehensive Income for the share of the Group in the results of the companies over which it exercises significant influence.

### **Inventories**

Inventories are valued at the lower of purchase or production cost, including contingent costs, calculated using the FIFO method, and the presumable net realisable value based on market trends. Group inventories consist mainly of suspended costs relating to activities in future financial periods and consumables.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, bank demand deposits and cash investments with an original maturity of not more than three months. The definition of cash and cash equivalents in the Consolidated Statement of Cash Flows is the same as that of the Statement of Financial Position.



## Assets and liabilities held for sale

This category includes assets and liabilities (or assets and liabilities in a disposal group/discontinued operations) where the carrying value will be recovered primarily through a sale rather than through continued use.

For this to happen, the following conditions must be met:

- the assets (or disposal groups) must be available for immediate sale in their present condition;
- the sale must be highly probable, i.e. the company must be committed to a programme for their disposal; activities to identify a buyer must have been initiated; and completion of the sale must be scheduled to take place within one year of the date of classification in this category.

Assets held for sale are measured at the lower of their net carrying value and their fair value less costs to sell.

If an asset that is depreciated or amortised is reclassified to this category, the depreciation or amortisation process is discontinued at the time of reclassification.

In compliance with IFRS 5, data relating to discontinued operations are presented as follows:

- in two specific statement of financial position accounts: held-for-sale assets and held-for-sale liabilities;
- in a specific entry in the Consolidated Statement of Comprehensive Income: net result for the period from discontinued operations.

## Equity

### *Treasury shares*

The par value of treasury shares is deducted from share capital and any amount in excess of par value is deducted from the share premium reserve.

Under IAS/IFRS regarding the acquisition of treasury shares, the nominal value of the shares is deducted from share capital while the difference between the nominal value and the acquisition value is taken against the share premium reserve. Regarding the sale of treasury shares, the share capital and the share premium reserve are reconstituted by the same amounts that they were reduced when the shares were acquired while any profit/loss from the sale are recognised in equity, under other reserves, with no impact on profit or loss. The shares taken as the reference for the calculation of profit/loss on disposal are selected using the FIFO method.

### *Costs of capital transactions*

Costs directly attributable to capital transactions are recognised as a direct reduction of equity.



## Trade payables, tax liabilities, advances and other liabilities

Payables, advances and other liabilities are initially recognised at fair value. After that, they are measured at amortised cost. Payables are derecognised when underlying financial obligations have been discharged. If they have a due date exceeding twelve months, liabilities are discounted to present value using an interest rate reflecting market assessments of the time value of money and specific risks connected with the liability concerned. Discounted interest is classified in financial expenses.

## Derivative instruments

A derivative or any other contract with the following characteristics is classified as a financial instrument and consequently fair-valued at the end of each accounting period: (i) its value changes in response to the change in an interest rate, the price of a financial instrument, a commodity price, a foreign-exchange rate, a price or rates index, creditworthiness, or another pre-established underlying variable; (ii) it requires no net initial investment or, if initial investment is required, one that is smaller than would be required for a contract from which a similar response to changes in market factors would be expected; (iii) it is settled at a future date. The effects of fair-value measurement are recognised in profit or loss as financial income/expense.

## Provisions for risks and charges

Provision is made for risks and charges when the Group must meet a present obligation (legal or constructive) stemming from a past event, the amount of which can be reliably estimated and for settlement of which an outflow of resources is probable. If expectations of resource outflow go beyond the next financial year, the obligation is recognised at its present value through discounting of future cash flows at a rate that also considers the time value of money and the liability's risk.

Risks for which manifestation of a liability is only possible, not probable, are shown in the paragraph, disclosure on guarantees given, undertakings and other contingent liabilities, and no provisions are made for these.

## Bank borrowings and other financial liabilities

Financial liabilities are initially recognised at cost as represented by the fair value of the funds received net of related costs incurred to receive the loan. After initial recognition, borrowings are measured according to amortised cost calculated using the effective interest rate. Amortised cost is calculated taking into account issuance costs and any discount or premium envisaged at the time of settlement.

## Employee benefits

Employee benefits paid out upon or after cessation of the employment relationship consist mainly of employee severance indemnities [*trattamento di fine rapporto* or *TFR*], which are governed by Article 2120 of the Italian Civil Code.



In compliance with IAS 19, employee severance indemnities are considered a defined benefit plan, i.e. a plan consisting of benefits provided after cessation of employment, which constitutes a future obligation for which the Group assumes actuarial risks and related investments. As required by IAS 19 *Revised*, the Group uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service costs. This calculation requires the application of objective and mutually compatible actuarial assumptions concerning demographic variables (mortality rate, employee turnover) and financial variables (discount rate, future increases in salary levels). The Fiera Milano Group recognises changes in actuarial gains/losses in other items of comprehensive income. From 1 January 2007, following social security reform, cumulative employee severance indemnities had to be allocated to pension funds or to the INPS treasury fund, or, in the case of companies with fewer than 50 employees, could remain within the company as in previous years. Employees were given the option until 30 June 2007 to choose the destination of their severance indemnities.

In that regard, the allocation of accumulated employee severance indemnities to pension funds or to INPS means that a portion of these indemnities will be classified as a defined contribution plan in that the company's obligation is solely the payment of contributions either to the pension fund or to INPS. The liability related to past severance indemnities continues to be a defined benefit plan to be measured using actuarial assumptions.

Employee termination benefits not included in the employee severance indemnities (TFR) are recognised as liabilities and employee expenses when the enterprise is demonstrably committed to terminate the employment of an employee or group of employees before the normal retirement date or provides termination benefits as a result of an offer made in order to encourage voluntary redundancy. The benefits owed to employees for termination of their employment do not give any future economic benefits to the enterprise and are therefore recognised immediately as a cost.

## Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the sale of goods or rendering of services will flow to the Group and the relevant amount can be reliably measured. Revenues are recognised at the fair value of the consideration received or receivable, taking into account any trade discounts and quantity-based reductions granted.

Revenue from the sale of goods is recognised when the entity has transferred a significant and substantial part of the risks and rewards associated with the ownership of the asset.

Revenue from the sale of services is recognised when the service is supplied. In compliance with the requirements of IAS 18 paragraph 25, revenues for the supply of services relating to exhibitions and congresses are recognised when the exhibitions and congresses actually take place, because it is during the actual exhibition/congress that most of the related costs are borne. When it is probable that the total costs of an exhibition will exceed its total revenues, the expected loss is recognised as a cost in a specific provision.

## Operating costs

Costs are recognised when they relate to goods and services sold or used in the financial year or on an accrual accounting basis when their future usefulness cannot be precisely identified.

Personnel expenses include both the fixed and variable remuneration of Directors taking account of the effective period of service.



Costs that are not eligible to be recognised in assets are recognised in profit or loss in the period in which they are incurred.

## Other income

This item has a residual nature and includes grants and subsidies.

## Financial income and expenses

Financial income and expenses are recognised in the accounts based on timing that considers the effective yield/expense of the asset/liability concerned.

## Income tax

For each company, income taxes are recognised according to estimated taxable income in compliance with current tax rates and regulations in the countries where the Group operates. Income taxes are recognised in profit or loss, except for those relating to items recognised outside profit or loss, in which case the tax effect is recognised in equity.

Deferred taxes are measured according to the taxable temporary differences existing between the carrying amounts of assets and liabilities and their tax base and are classified among non-current assets and liabilities. Deferred tax assets are recognised to the extent that there is likely to be sufficient future taxable income against which the positive balance can be utilised. The carrying amount of deferred tax assets is subject to review at the end of each reporting period.

Deferred tax assets and liabilities are measured according to the tax rates that are expected to be applied in the period when the deferrals materialise, considering the tax rates in force or those that are scheduled to come into force subsequently.

Current and deferred tax assets and liabilities are offset only when they are levied by the same taxing authority and when there is a legal right to settle on a net basis.

Further information on the tax consolidation may be found in Note 47.

## Transactions in foreign currencies

Transactions in foreign currencies are recorded at the current exchange rate in force on the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate in force at the end of the reporting period. Foreign exchange differences generated by the extinction of monetary items or their translation at different exchange rates from those at which they were translated at the time of initial recognition in the period or in previous periods are recognised in profit or loss. Exchange rate differences are recognised in financial expenses and income.

## Dividends

Dividend income is recognised when the shareholders' right to receive payment has been established. This is normally the date of the Annual General Shareholders' Meeting that approves the dividend distribution.



## Earnings (losses) per share

Basic earnings (losses) per share are calculated by dividing the Group profit or loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding in the period, excluding treasury shares.

Diluted earnings (losses) per share are calculated by adjusting the weighted average number of shares outstanding to allow for all dilutive potential ordinary shares.

### 1.5 Use of estimates

Preparation of financial statements and related notes using IFRS requires estimates and assumptions to be made that affect the amounts of assets and liabilities in the Statement of Financial Position and disclosures concerning potential assets and liabilities at the end of the reporting period. Actual results may differ from these estimates. Estimates are used to recognise provisions for doubtful accounts, depreciation and amortisation, employee benefits, taxes, and other provisions and reserves, as well as any adjustments to asset value. Estimates and assumptions are reviewed regularly and the effects of any change are immediately recognised in profit or loss.

The most important estimates used to prepare the Financial Statements are given below as these involve a significant level of subjective opinion, assumptions and estimates:

- *Goodwill and intangible assets with an indefinite useful life* are tested for impairment at least annually at the end of each reporting period; this test requires an estimate of the value in use of the cash generating unit to which the goodwill and intangible assets with an indefinite useful life have been allocated, which itself is based on an estimate of the cash flows the cash generating unit is expected to generate and discounting them to their net present value using an identified discount rate.

The recoverable amount is measured by comparing the carrying value with the higher of fair value less costs of disposal and value in use. The fair value less costs of disposal is the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under market conditions less costs of disposal. In the absence of binding agreements, prices and other relevant information generated by market transactions, or of the best information available, for recent transactions involving identical or similar assets in the same business sector are used. The value in use is calculated as the net present value of the future cash flows the company expects to derive from the asset (or group of assets – the cash generating unit) and from its disposal at the end of its useful life discounted at the average weighted cost of capital of an entity with a similar risk and debt profile.

- *Intangible assets with a finite useful life* are tested for impairment when there are internal or external indications that an asset is impaired; this test requires an estimate of the value in use of the cash generating unit to which the asset belongs, which itself is based on an estimate of the cash flows the cash generating unit is expected to generate and discounting them to their net present value using an appropriate discount rate.
- *Deferred tax assets* are carried against tax losses carried forward and other taxable temporary differences to the extent that it is probable there will be sufficient future taxable profits available to utilise the tax losses and other taxable temporary differences. Management must use its judgement in estimating the amount of deferred tax assets to be recognised. The Industrial Plan of the Company was used when calculating the amount of deferred tax assets to be recognised.
- *Provisions for risks and costs* are estimated using the best available information at the date of the Financial Statements under review and include estimates based on historic and future data regarding the likely outcome of legal disputes or events where the judgement of the risk profile and the calculation of the likely financial impact are uncertain and complex and could result in an adjustment to estimates.



Reference should be made to the specific paragraph in the notes to the Financial Statements for the use of estimates of financial risk. The valuation of the provision for risks refers to the best information available at the end of the reporting period.

The industrial plans used to carry out the impairment tests are based on certain expectations and assumptions for future performance that by their very nature are subject to uncertainties. Therefore, given the current macroeconomic scenario, the results could differ from the forecasts.

The plan will be continually assessed by the Directors regarding the effective realisation of the initiatives and forecasts and the effects on the financial and economic performance of the Group.

## 2) Disclosure on subsidiaries, joint ventures and associates

The Group has a 49% shareholding in Hannover Milano Global Germany GmbH, jointly controlled with Deutsche Messe AG. Under IAS 31 – *Interests in joint ventures* (before application of IFRS 11), the investment in Hannover Milano Global Germany GmbH was classified as a jointly controlled entity and the Group share of assets, liabilities, revenues and expenses were accounted using proportionate consolidation.

Following the application of IFRS 11 – *Joint arrangements*, the Group maintains that its shareholding under the agreement gives it joint control and it is, therefore, a joint venture that must be accounted using the equity method.

Significant business decisions relating to Hannover Milano Global Germany GmbH require the unanimous agreement of the parties and neither party has any specific rights over the individual assets or obligations for any individual liability of the company of the legal entity.

Under the joint venture agreement with Deutsche Messe AG, the Group share of equity is calculated on the results generated by the various exhibitions; this share went from 40.82% in 2015 to 41.41% in 2016.



The equity and the financial value of the joint venture and the share of the Group are summarised in the following tables:

### Hannover Milano Global Germany GmbH

(€'000)	2016	2015
Current assets	3,306	2,444
Non-current assets	9,050	9,567
Current liabilities	12,197	11,093
Non-current liabilities	-	-
Net financial debt/(cash)	(19,853)	(21,221)
<b>Equity</b>	<b>20,012</b>	<b>22,139</b>
<b>Book value of the joint venture</b>	<b>9,442</b>	<b>10,280</b>

(€'000)	2016	2015
Total revenues	33,653	40,920
Total operating costs	(24,301)	(29,904)
Depreciation and amortisation	(356)	(416)
Interest income	71	298
Interest payable	(2)	(6)
<b>Profit/(loss) before tax</b>	<b>9,065</b>	<b>10,892</b>
Income tax	(3,537)	(3,941)
<b>Profit/(loss) for the year</b>	<b>5,528</b>	<b>6,951</b>
<b>Group profit/(loss)</b>	<b>2,289</b>	<b>2,837</b>

At 31 December 2016 and at 31 December 2015, there were no contingent liabilities or material obligations relating to the investment of the Parent Company in the joint venture.

On 16 October 2015, the subsidiary Ipack-Ima SpA and Proma Pack Srl, a company belonging to UCIMA, the association of the Italian manufacturers of processing and packaging machinery, constituted Ipack Ima Srl.

The company has capital of Euro 20,000 and the two companies hold respectively 49% and 51% of the new company. The Group considers its investment to be a joint venture and has accounted for it using the equity method.

On 1 January 2016, the business division of the Ipack-Ima exhibition of Fiera Milano and that of the Food Pack exhibition of UCIMA were conferred on Ipack Ima Srl. This partnership will result in the most important Italian exhibition for processing and packaging technology.





The company held no exhibition in 2016 and the next one is scheduled to be held in 2018.

The equity and financial value of the joint venture and the share pertaining to the Group comprises inventories and advances for deferred costs and revenues for exhibitions to be held after 31 December and which are listed in the following table:

### **Ipack Ima Srl**

<i>(€'000)</i>	2016	2015
Current assets	1,468	13
Non-current assets	5,989	15
Current liabilities	1,402	33
Non-current liabilities	908	-
Net financial debt/(cash)	2,326	(6)
<b>Equity</b>	<b>2,821</b>	<b>1</b>
<b>Book value of the joint venture</b>	<b>1,382</b>	<b>1</b>

<i>(€'000)</i>	2016	2015
Total revenues	331	-
Total operating costs	(2,691)	(26)
Depreciation and amortisation	(333)	-
Interest income	-	-
Interest payable	(45)	-
<b>Profit/(loss) before tax</b>	<b>(2,738)</b>	<b>(26)</b>
Income tax	635	7
<b>Profit/(loss) for the year</b>	<b>(2,103)</b>	<b>(19)</b>
<b>Group profit/(loss)</b>	<b>(1,030)</b>	<b>(9)</b>

At 31 December 2016, there were no contingent liabilities or material obligations relating to the investment of the Parent Company in the joint venture.

Summary financial information on subsidiaries, joint ventures and associates is given in Attachment 2 to the Financial Statements of Fiera Milano SpA.

### 3) Disclosure on discontinued operations

On 4 November 2016, the Board of Directors of the Parent Company approved the sale of the 75% shareholding in the Chinese subsidiary Worldex Fiera Milano Exhibitions Co. Ltd and its subsidiary Haikou Worldex Milan Exhibitions Co. Ltd, together with the exhibition trademark Food Hospitality World China, to SingEx Exhibitions Pte Ltd.

The sale of the shareholding was signed on 22 February 2017.

This transaction is in line with the Group strategy of repositioning its presence outside Italy and concentrating its business in China in the joint venture with Deutsche Messe.

The transaction price comprises a fixed component of Euro 2.750 million and a variable component of maximum Euro 1.000 million. 50% of the fixed component is payable on finalisation of the transaction and the remaining



50% when the purchaser obtains the necessary business licence and it will be subject to a price adjustment exclusively in favour of Fiera Milano should the sum of the net cash and net working capital of Worldex exceed Euro 1.213 million at the closing date of the transaction. The variable component of the transaction price, payable in three deferred tranches of equal amounts, depends on the targets for the EBITDA of Worldex being reached in each of the three years 2017-2019.

The sale of the shareholding generated Euro 5.487 million in impairment charges for goodwill in the consolidated accounts. The calculation considered only the fixed part of the transaction price as the variable parts are linked to future events and circumstances that are beyond the control of the Group.

The transaction is subject to resolute clauses including the issue of the necessary licences by the relevant Chinese authorities.

Under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, the results of the company and the impairment charges for goodwill are recognised in a single item of the Income Statement, net result for the period of discontinued operations, while the assets and liabilities are recognised in the items assets and liabilities held for sale.

At the same time the transaction was signed, an agreement was also signed whereby the minority shareholder waived its right to exercise the put option it held on 25% of the company. The accounting effect of the adjustment of the fair value of the put option, as part of the transaction, was Euro 0.850 million and was recognised in the Statement of Comprehensive Income under net result for the period of discontinued operations giving a positive impact of Euro 1.001 million.

The income statement and the result per share of discontinued operations is shown in the following table:

### Worldex Income statement

(€'000)	2016	2015
Revenues	2,505	2,182
Costs	(2,170)	(2,149)
Profit/(loss) from discontinued operations	335	33
Income tax	(25)	(23)
Profit/(loss) from discontinued operations net of related tax effects	310	10
Adjustment of the put option to the fair value of the company under the sale agreement	1,001	-
Adjustment to the fair value of goodwill	(5,487)	(1,486)
<b>Profit/(loss) from discontinued operations</b>	<b>(4,176)</b>	<b>(1,476)</b>
attributable to:		
<i>The shareholders of the controlling entity</i>	<i>(4,210)</i>	<i>(1,516)</i>
<i>Non-controlling interests</i>	<i>34</i>	<i>40</i>

### Earnings/losses per share

	2016	2015
Profit/(loss) (€'000)	(4,210)	(1,516)
Average no. of shares in circulation ('000)	71,175	42,654
Basic and fully diluted earnings/(losses) per issued share (€)	(0,0591)	(0,0355)



The main assets and liabilities of Worldex recognised in assets and liabilities held for sale were the following:

(€'000)	2016
<b>Assets</b>	
Property, plant and equipment	10
Goodwill and intangible assets with an indefinite useful life	1,115
Trade and other receivables	1,005
Inventories	92
Cash and cash equivalents	1,214
Total assets held for sale	3,436
<b>Liabilities</b>	
Trade payables	35
Advances	5
Current tax liabilities	75
Other liabilities	58
Total liabilities held for sale	173
<b>Net assets held for sale</b>	<b>3,263</b>
<b>Amounts included in other comprehensive income/(loss)</b>	<b>(316)</b>

The cash flows from discontinued operations were the following:

(€'000)	31.12.2016	31.12.2015
Cash flow from operating activities	(463)	137
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
<b>Net cash for the period from assets held for sale</b>	<b>(463)</b>	<b>137</b>
Currency translation differences	(316)	655

#### 4) Segment reporting

In compliance with IFRS 8, the identification of operating segments and related information is based on the data used by management to take its operating decisions and is consistent with the management and control model used. The internal accounting system, regularly reviewed and used by the top decision makers in the Group, gives information by segment and also by individual company.

The operating segments defined by the management criteria are as follows:

- **Italian Exhibitions:** this segment covers all activities for the organisation and hosting of exhibitions and other events in Italy through the use, promotion and offer of furnished exhibition spaces, of project support, and of ancillary services. Specifically this segment includes all activities associated with exhibitions (including end services for exhibitors and visitors):
  - that are directly organised by the Group or in partnership with third-parties;
  - organised by third parties, through the hiring out of spaces and services.

These activities are carried out by the Parent Company Fiera Milano SpA, Ipack Ima Srl and La Fabbrica del Libro SpA.



- **Foreign Exhibitions:** this segment covers all activities for the organisation of exhibitions and other events abroad through the use, promotion and offer of furnished exhibition spaces, of project support, and of ancillary services. Specifically this segment includes all activities associated with exhibitions (including end services for exhibitors and visitors) that are directly organised by the Group or in partnership with third-parties.

These activities are carried out by:

- Hannover Milano Global Germany GmbH, a joint venture with Deutsche Messe AG of Hanover, which operates in China through two subsidiaries, Hannover Milano Fairs Shanghai Co Ltd and Hannover Milano Fairs China Ltd, and in India through its 50% shareholding in Hannover Milano Fairs India Pvt Ltd and the latter's investment in Global Fairs & Media Private Ltd;
  - Cipa FM Publicações e Eventos Ltda (hereinafter "Cipa FM"), with its registered office in São Paulo; it is owned through the Brazilian subsidiary, Eurofairs International Consultoria e Participações Ltda (hereinafter "Eurofairs");
  - Fiera Milano India Pvt Ltd, with its registered office in New Delhi;
  - Limited Liability Company Fiera Milano, with its registered office in Moscow;
  - Fiera Milano Exhibitions Africa PTY Ltd (hereinafter "Fiera Milano Africa"), with its registered office in Westlake – Cape Town.
- **Stand-fitting services:** this segment covers stand-fitting services, technical services and all exhibition site services for exhibitions and congresses carried out by Nolostand SpA.
  - **Media:** this segment covers the production of content and supply of online and offline publishing services, as well those associated with the organisation of events and congresses by Fiera Milano Media SpA.
  - **Congresses:** this segment covers the management of conferences and events by Fiera Milano Congressi SpA and MiCo DMC Srl.



The tables below give Income Statement and Statement of Financial Position data by segment for the financial years to 31 December 2016 and 31 December 2015.

## Income Statement to 31.12.16

(€'000)	ITALIAN EXHIBITIONS	FOREIGN EXHIBITIONS	STAND-FITTING SERVICES	MEDIA	CONGRESSES	Adjustments	Consolidated
Revenues from sales and services to third-parties	169,035	6,802	6,625	9,095	29,484	–	221,041
Revenues from intersegment sales and services	4,386	28	31,670	1,956	1,188	(39,228)	
<b>Total revenues</b>	<b>173,421</b>	<b>6,830</b>	<b>38,295</b>	<b>11,051</b>	<b>30,672</b>	<b>(39,228)</b>	<b>221,041</b>
<i>of which from Italy</i>							214,239
<i>of which from foreign activities</i>							6,802
Cost of materials	504	42	1,448	210	86	(9)	2,281
Cost of services	100,761	5,837	28,244	6,543	21,363	(41,325)	121,423
Cost for use of third-party assets	43,555	473	2,031	272	4,077	(571)	49,837
Personnel expenses	32,286	1,577	3,887	3,966	3,551	(1,166)	44,101
Other operating expenses	3,539	223	173	76	290	(79)	4,222
<b>Total operating expenses</b>	<b>180,645</b>	<b>8,152</b>	<b>35,783</b>	<b>11,067</b>	<b>29,367</b>	<b>(43,150)</b>	<b>221,864</b>
Other income	5,162	814	521	392	969	(4,642)	3,216
Profit/(loss) of equity accounted companies	(1,030)	2,289					1,259
<b>Gross operating result</b>	<b>(3,092)</b>	<b>1,781</b>	<b>3,033</b>	<b>376</b>	<b>2,274</b>	<b>(720)</b>	<b>3,652</b>
<i>of which from Italy</i>							2,523
<i>of which from foreign activities</i>							1,129
Depreciation of property, plant & equipment	1,312	168	1,922	31	976		4,409
Depreciation of property investments							
Amortisation of intangible assets	2,711	568		624	30	56	3,989
Adjustments to asset values	3,333	5,357		4,081			12,771
Provision for doubtful accounts and other provisions	4,786	195	618	(257)	135		5,477
<b>Net operating result (EBIT)</b>	<b>(15,234)</b>	<b>(4,507)</b>	<b>493</b>	<b>(4,103)</b>	<b>1,133</b>	<b>(776)</b>	<b>(22,994)</b>
<i>of which from Italy</i>							(17,779)
<i>of which from foreign activities</i>							(5,215)
Financial income and similar							576
Financial expenses and similar							1,561
Valuation of financial assets							
<b>Profit/(loss) before income tax</b>							<b>(23,979)</b>
Income tax							(5,305)
<b>Profit/(loss) from continuing operations</b>							<b>(18,674)</b>
<b>Profit/(loss) from discontinued operations</b>							<b>(4,176)</b>
Revenues							2,505
Operating expenses							6,681
<b>Profit/(loss) for the year</b>							<b>(22,850)</b>
Profit/(loss) attributable to non-controlling interests							(56)
<b>Group profit/(loss)</b>							<b>(22,794)</b>

## Statement of Financial Position Data at 31.12.16

(€'000)	Investments	Depreciation and amortisation of non-current assets
Italian exhibitions	3,925	4,023
Foreign exhibitions	121	736
Stand-fitting services	1,968	1,922
Media	35	655
Congresses	1,338	1,006
Adjustments	–	56
<b>Total</b>	<b>7,387</b>	<b>8,398</b>



## Income Statement to 31.12.2015

(€'000)	ITALIAN EXHIBITIONS	FOREIGN EXHIBITIONS	STAND-FITTING SERVICES	MEDIA	CONGRESSES	Adjustments	Consolidated <sup>(*)</sup>
Revenues from sales and services to third-parties	271,124	6,561	10,020	10,672	36,795	–	335,172
Revenues from intersegment sales and services	6,186	384	45,870	2,704	651	(55,795)	
<b>Total revenues</b>	<b>277,310</b>	<b>6,945</b>	<b>55,890</b>	<b>13,376</b>	<b>37,446</b>	<b>(55,795)</b>	<b>335,172</b>
<i>of which from Italy</i>							328,611
<i>of which from foreign activities</i>							6,561
Cost of materials	912	49	3,563	223	127	(15)	4,859
Cost of services	145,187	7,231	39,028	6,977	24,634	(58,455)	164,602
Cost for use of third-party assets	55,022	540	2,031	341	4,029	(698)	61,265
Personnel expenses	46,409	2,800	4,632	5,363	3,840	(2,021)	61,023
Other operating expenses	4,644	464	131	72	504	(110)	5,705
<b>Total operating expenses</b>	<b>252,174</b>	<b>11,084</b>	<b>49,385</b>	<b>12,976</b>	<b>33,134</b>	<b>(61,299)</b>	<b>297,454</b>
Other income	6,804	66	692	421	314	(5,305)	2,992
Profit/(loss) of equity accounted companies	(9)	2,837					2,828
<b>Gross operating result</b>	<b>31,931</b>	<b>(1,236)</b>	<b>7,197</b>	<b>821</b>	<b>4,626</b>	<b>199</b>	<b>43,538</b>
<i>of which from Italy</i>							45,133
<i>of which from foreign activities</i>							(1,595)
Depreciation of property, plant & equipment	2,041	140	1,757	47	2,779		6,764
Depreciation of property investments							
Amortisation of intangible assets	4,237	685		553	22	44	5,541
Adjustments to asset values	1,953	7,384	19	301			9,657
Provision for doubtful accounts and other provisions	5,496	364	200	2,058	61		8,179
<b>Net operating result (EBIT)</b>	<b>18,204</b>	<b>(9,809)</b>	<b>5,221</b>	<b>(2,138)</b>	<b>1,764</b>	<b>155</b>	<b>13,397</b>
<i>of which from Italy</i>							23,609
<i>of which from foreign activities</i>							(10,212)
Financial income and similar							824
Financial expenses and similar							4,331
Valuation of financial assets							
<b>Profit/(loss) before income tax</b>							<b>9,890</b>
Income tax							5,987
<b>Profit/(loss) from continuing operations</b>							<b>3,903</b>
<b>Profit/(loss) from discontinued operations</b>							<b>(3,474)</b>
Revenues							3,125
Operating expenses							6,599
<b>Profit/(loss) for the year</b>							<b>429</b>
Profit/(loss) attributable to non-controlling interests							(585)
<b>Group profit/(loss)</b>							<b>1,014</b>

## Statement of Financial Position Data at 31.12.15

(€'000)	Investments	Depreciation and amortisation of non-current assets <sup>(*)</sup>
Italian exhibitions	5,543	6,278
Foreign exhibitions	184	825
Stand-fitting services	1,520	1,757
Media	11	600
Congresses	559	2,801
Adjustments	–	44
<b>Total</b>	<b>7,817</b>	<b>12,305</b>

(\*) Some figures in the Consolidated Financial Statements at 31 December 2015 have been restated for comparative purposes following the introduction of IFRS 5 following the divestment of the Chinese subsidiary Worldex-Haikou Worldex.



# Notes to the Consolidated Financial Statements

## STATEMENT OF FINANCIAL POSITION

### ASSETS

#### NON-CURRENT ASSETS

#### 5) Property, plant and equipment

The breakdown and changes in the last two financial years were as follows:

(/€'000)	Balance at 31.12.2014	Changes during the financial year									Balance at 31.12.2015
		Incr.	Decr.	Depr.	Assets held for sale	Impairment	Currency translation differences	Change in area of consolidation	Assets of discontinued operations	Reclassification	
<b>Plant and machinery</b>											
– historic cost	16,856	529	34	–	–	–	–	19	–	–	17,370
– depreciation	12,350	–	15	2,126	–	–	–	19	–	–	14,480
Net	4,506	529	19	2,126	–	–	–	–	–	–	2,890
<b>Industrial and commercial equipment</b>											
– historic cost	34,394	1,692	1,039	–	–	95	–	144	–	–	35,096
– depreciation	29,971	–	976	1,865	–	77	–	144	–	–	30,927
Net	4,423	1,692	63	1,865	–	18	–	–	–	–	4,169
<b>Other assets</b>											
– historic cost	56,064	1,228	812	–	–	–	(156)	233	(422)	–	56,135
– depreciation	46,566	–	611	2,785	10	–	(70)	157	(388)	–	48,449
Net	9,498	1,228	201	2,785	10	–	(86)	76	(34)	–	7,686
<b>Contracts in progress and advances</b>					–						
– historic cost	–	–	–	–	–	–	–	–	–	1	1
Net	–	–	–	–	–	–	–	–	–	1	1
<b>Total property, plant and equipment</b>											
– historic cost	107,314	3,449	1,885	–	–	95	(156)	396	(422)	1	108,602
– depreciation	88,887	–	1,602	6,776	10	77	(70)	320	(388)	–	93,856
Net	18,427	3,449	283	6,776	10	18	(86)	76	(34)	1	14,746



('000)	Balance at 31.12.2015	Changes during the financial year						Balance at 31.12.2016
		Incr.	Decr.	Depr.	Assets held for sale	Currency translation differences	Reclassification	
<b>Plant and machinery</b>								
– historic cost	17,370	150	19	–	–	–	–	17,501
– depreciation	14,480	–	18	884	–	–	–	15,346
<b>Net</b>	<b>2,890</b>	<b>150</b>	<b>1</b>	<b>884</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,155</b>
<b>Industrial and commercial equipment</b>								
– historic cost	35,096	2,178	436	–	–	–	–	36,838
– depreciation	30,927	–	424	1,977	–	–	–	32,480
<b>Net</b>	<b>4,169</b>	<b>2,178</b>	<b>12</b>	<b>1,977</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,358</b>
<b>Other assets</b>								
– historic cost	56,135	1,908	284	–	(41)	110	1	57,829
– depreciation	48,449	–	190	1,571	(22)	25	–	49,833
<b>Net</b>	<b>7,686</b>	<b>1,908</b>	<b>94</b>	<b>1,571</b>	<b>(19)</b>	<b>85</b>	<b>1</b>	<b>7,996</b>
<b>Contracts in progress and advances</b>								
– historic cost	1	–	–	–	–	–	(1)	–
<b>Net</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1)</b>	<b>–</b>
<b>Total property, plant and equipment</b>								
– historic cost	108,602	4,236	739	–	(41)	110	–	112,168
– depreciation	93,856	–	632	4,432	(22)	25	–	97,659
<b>Net</b>	<b>14,746</b>	<b>4,236</b>	<b>107</b>	<b>4,432</b>	<b>(19)</b>	<b>85</b>	<b>–</b>	<b>14,509</b>

The breakdown and changes were as follows:

### Plant and machinery

This entry totalled Euro 2.155 million, net of depreciation in the financial year of Euro 0.884 million, and was mainly electrical and thermal plant and alarm and audiovisual systems.

The increase of Euro 0.150 million was primarily attributable to investments made by the Parent Company in the plant and equipment of the Rho exhibition site.

### Industrial and commercial equipment

This item was Euro 4.358 million, net of depreciation in the financial year of Euro 1.977 million, and was mainly for equipment and furnishings related to the exhibition business.

The increase of Euro 2.178 million was mainly attributable to the purchase of exhibition equipment and wooden fittings to be hired out during exhibitions.





## Other assets

This entry was Euro 7.996 million net of depreciation in the financial year of Euro 1.571 million; Euro 5.316 million was for improvements to the assets of Fondazione Fiera Milano and Euro 2.680 million was for furniture, furnishing accessories, minor equipment, vehicles and electronic equipment.

The breakdown of the Euro 1.908 million increase was as follows:

- Euro 1.250 million attributable to Fiera Milano Congressi SpA mainly for building work and upgrading of the plant and equipment in the MiCo North Wing and MoMeC congress areas;
- Euro 0.544 million was attributable to the Parent Company of which Euro 0.383 million for electronic equipment and furnishings and Euro 0.161 million for improvements made to assets belonging to Fondazione Fiera Milano under the existing leasing contracts;
- the remaining Euro 0.114 million was attributable to other companies.

Depreciation on improvements to third-party assets is calculated on the residual length of the lease contract for the property.

## 6) Leased property, plant and equipment

Details of the amounts and changes to various items in the last two financial years are given below:

(€'000)	Balance at 31.12.2014	Changes during the financial year					Balance at 31.12.2015
		Incr.	Decr.	Depr.	Currency translation differences	Reclassification	
<b>Leased property</b>							
– historic cost	11	–	–	–	(2)	–	9
– depreciation	–	–	–	–	–	–	–
<b>Net</b>	<b>11</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(2)</b>	<b>–</b>	<b>9</b>
<b>Total leased property, plant and equipment</b>							
– historic cost	11	–	–	–	(2)	–	9
– depreciation	–	–	–	–	–	–	–
<b>Net</b>	<b>11</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(2)</b>	<b>–</b>	<b>9</b>

(€'000)	Balance at 31.12.2015	Changes during the financial year					Balance at 31.12.2016
		Incr.	Decr.	Depr.	Currency translation differences	Reclassification	
<b>Leased property</b>							
– historic cost	9	–	–	–	1	–	10
– depreciation	–	–	–	7	1	–	8
<b>Net</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>2</b>
<b>Total leased property, plant and equipment</b>							
– historic cost	9	–	–	–	1	–	10
– depreciation	–	–	–	7	1	–	8
<b>Net</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>2</b>



## 7) Goodwill and intangible assets with an indefinite useful life

The breakdown and changes in the last two financial years were as follows:

('000)	Balance at 31.12.2014	Changes during the financial year							Balance at 31.12.2015
		Incr.	Decr.	Impairment	Change in area of consolidation	Assets held for sale	Assets of discontinued operations	Currency translation differences	
<b>Goodwill</b>									
- historic cost	126,071	-	-	6,216	3,173	(1,486)	(700)	700	121,542
- amortisation	16,597	-	-	-	-	-	-	-	16,597
<b>Net</b>	<b>109,474</b>	<b>-</b>	<b>-</b>	<b>6,216</b>	<b>3,173</b>	<b>(1,486)</b>	<b>(700)</b>	<b>700</b>	<b>104,945</b>

('000)	Balance at 31.12.2015	Changes during the financial year						Balance at 31.12.2016
		Incr.	Decr.	Impairment	Conferral of the business division to the JV	Assets held for sale	Currency translation differences	
<b>Goodwill</b>								
- historic cost	121,542	-	-	823	(3,084)	(6,844)	22	110,813
- amortisation	16,597	-	-	-	-	-	-	16,597
<b>Net</b>	<b>104,945</b>	<b>-</b>	<b>-</b>	<b>823</b>	<b>(3,084)</b>	<b>(6,844)</b>	<b>22</b>	<b>94,216</b>

The decrease of Euro 3.084 million derives from the conferral of the business division of the Ipack-Ima exhibition to the joint venture Ipack Ima Srl valued using the equity method.

The Euro 6.844 million decrease in assets held for sale refers to the Chinese company Worldex as described in Note 3.

The positive translation effect of Euro 0.022 million was for goodwill in the Brazil cash generating unit.

As described in the section on Valuation Criteria, goodwill is not depreciated but is subject to impairment tests at the end of each reporting period or more frequently if there are any indications of impairment. The methods used for the impairment tests are described in the section Use of estimates.

The new four-year financial plans of the Events and Training cash-generating unit and the Brazil group of cash-generating units showed an impairment loss for the residual goodwill attributable to these cash-generating units of Euro 0.616 million for Fiera Milano Media SpA and Euro 0.207 million for Cipa Fiera Milano Ltda.

The impairment test on the goodwill allocated to the Events and Training cash-generating unit used a WACC of 6.80% that comprised a risk-free rate of 1.46%, a market risk premium of 5.6%, a levered beta equivalent to the sector average of 0.72, a specific risk premium of 3%, a cost of debt of 2.36% and a ratio of debt to invested capital of 25%.

The impairment test on the goodwill allocated to the Brazil group of cash-generating units used a WACC of 14.10% that comprised a risk-free rate of 13%, a market risk premium of 5.6%, a levered beta equivalent to the sector average of 0.70, a specific risk premium of 1%, a cost of debt of 4.06% and a ratio of debt to invested capital of 25%.



Goodwill is allocated to the relevant cash generating units or groups of cash generating units.

To identify “the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets” (IAS 36), the different reportable segments of the Group were identified as specific cash generating units.

In the reportable segment “Exhibitions” each exhibition constitutes a cash generating unit.

Each of the two reportable segments “Stand-fitting Services” and “Congresses” is one cash generating unit that encompasses all the assets of each individual segment.

In the reportable segment “Media” different cash generating units have been identified that correspond to the various publications, while digital services is another cash-generating unit and all the activities relating to seminars and conventions are a single cash-generating unit (the “Events and Training” CGU).

Lastly, in the reportable segment “Overseas” the situation varies according to whether the Group is active in a country with its own exhibitions.

In order to avoid using arbitrary allocation criteria for the impairment tests, goodwill was allocated on the basis of appropriate groupings that reflect the strategic vision of the company, as well as how the goodwill was generated.

The goodwill allocations were as follows:

- The Directly Organised Exhibition cash-generating unit: this comprises the cash generating units of all the exhibitions directly organised by Fiera Milano SpA. The goodwill allocated to this group was Euro 40.223 million for goodwill on the acquisitions of companies that organise exhibitions that were subsequently incorporated in Fiera Milano SpA through various merger transactions.
- The Exhibition cash-generating unit: this comprises the cash generating units of all the exhibitions of Fiera Milano SpA. The goodwill allocated to this group was Euro 29.921 million of which Euro 29.841 million was the goodwill coming from the contribution of the exhibition entity by Fondazione Fiera Milano to Fiera Milano SpA on 17 December 2001 and Euro 0.080 million was goodwill from the acquisition by the Parent Company of the Information Communication Technology business division from its subsidiary Expopage SpA, which is now Fiera Milano Media SpA.
- The Exhibition Stand-fitting cash generating unit: the goodwill of Euro 12.581 million from the acquisition of the “standard stand-fitting” business division by Nolostand SpA was allocated to this cash generating unit.
- The Publishing and Digital Services group of cash generating units: this includes the cash generating units of publications and digital services and the goodwill allocated to this group of cash-generating units was Euro 5.947 million.
- The Congress cash generating unit: the goodwill allocated to this cash generating unit was Euro 5.544 million of which Euro 5.455 million was the goodwill from the acquisition of Fiera Milano Congressi SpA and Euro 0.089 million was from the acquisition of MiCo DMC Srl.

The recoverable value of the cash generating units (CGUs) to which individual goodwill was attributed is verified by calculating their value in use.

Discounted cash flows are used to assess impairment. These are based on the industrial plan of each Group company and approved by their respective board of directors. The time horizon considered is four financial years as several important events in the exhibition calendar have a biennial frequency. Cash flow projections beyond the time horizons of the industrial plans are generally made by taking the average gross operating margin of the whole period of the plan and estimating a normalised cash flow with no changes in



working capital but including maintenance or replacement expenditure. The terminal value was measured as a perpetuity obtained by calculating the net present value of the average net cash flows of the last four years of the plan that had detailed estimates and using a discount rate that differed according to the various reference countries of the cash-generating units. Zero growth in real terms was assumed but an estimate of the medium/long-term inflation rates in the specific geographic areas was used.

The WACC (Weighted Average Cost of Capital) used for the Italian businesses was calculated using: (i) a risk-free rate of 1.46%; (ii) a market risk premium of 5.6%; (iii) a levered beta of 0.72, equal to the average for the sector; (iv) a risk premium that varied according to the different CGUs; (v) a cost of debt of 2.36%; (vi) with average debt equal to 25% of invested capital (the average of the peer companies).

The single elements were arrived at using as far as possible publicly available sources. A rate net of taxes was used for cash flows net of taxes.

The WACC of the different CGUs varied according to: (i) the different risk-free rates (the yield on a 10-year government bond in the jurisdiction of the CGU); and (ii) the specific risk coefficient to cover the execution risk of the forecast cash flows. The risk factors reflect the differences between historical data and estimated figures and also forecasts for the impact of the business initiatives to be implemented; (iii) the different cost of debt due to the estimated rate of inflation in the jurisdiction of each CGU. A summary of the results is given in the table below:

CGU	WACC
Exhibitions CGU	5.30%
Directly Organised Exhibitions CGU	5.30%
Exhibition Stand-fitting CGU	6.80%
Publications and Digital Services CGU	6.80%
Events and Training CGU	6.80%
Congresses CGU	5.67%
Brazil CGU	14.10%
South Africa CGU	12.25%

Sensitivity analyses were carried out by varying the WACC (+0.5%) and the forecast operating cash flows (-10%) with a positive outcome for all the CGUs that were not written down, except for the Directly Organised Exhibition cash-generating unit. If a 0.5% higher WACC had been used in the calculation for this cash-generating unit (5.80% instead of 5.30%), the recoverable value would have been Euro 0.450 million lower than the carrying value.

If a 0.5% higher WACC had been used in the calculation of the impairment of goodwill in the Events and Training cash generating unit, it would have been unchanged (the WACC used resulted in the complete write-down of the residual goodwill). Using a WACC that was 0.5% lower would have given a value of Euro 0.559 million, Euro 0.057 million lower than the carrying value.

The impairment of goodwill in the Brazil group of cash generating units would have been unchanged whether a 0.5% higher WACC or a 0.5% lower WACC had been used.



## 8) Intangible assets with a finite useful life

The breakdown and changes in the last two financial years were as follows:

('000)	Balance at 31.12.2014	Changes during the financial year								Balance at 31.12.2015
		Incr.	Decr.	Depr.	Impair- ment	Change in area of consolidation	Assets of discontinued operations	Currency translation differences	Reclassification	
<b>Trademarks and publishing titles</b>										
– historic cost	62,291	11	–	–	3,423	–	(1,707)	(3,223)	–	53,949
– amortisation	26,417	–	–	2,078	–	–	(236)	(673)	–	27,586
<b>Net</b>	<b>35,874</b>	<b>11</b>	<b>–</b>	<b>2,078</b>	<b>3,423</b>	<b>–</b>	<b>(1,471)</b>	<b>(2,550)</b>	<b>–</b>	<b>26,363</b>
<b>Concessions, licenses and similar rights</b>										
– historic cost	6,321	250	3,000	–	–	–	–	–	(46)	3,525
– amortisation	4,734	–	3,000	1,388	–	–	–	–	(46)	3,076
<b>Net</b>	<b>1,587</b>	<b>250</b>	<b>–</b>	<b>1,388</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>449</b>
<b>Industrial patents and intellectual property rights</b>										
– historic cost	36,133	836	–	–	–	549	(7)	(58)	–	37,453
– amortisation	32,473	–	–	2,031	–	538	(7)	(3)	–	35,032
<b>Net</b>	<b>3,660</b>	<b>836</b>	<b>–</b>	<b>2,031</b>	<b>–</b>	<b>11</b>	<b>–</b>	<b>(55)</b>	<b>–</b>	<b>2,421</b>
<b>Non-competition agreements</b>										
– historic cost	676	–	–	–	–	–	(276)	(123)	(14)	263
– amortisation	213	–	–	44	–	–	(115)	(30)	(14)	98
<b>Net</b>	<b>463</b>	<b>–</b>	<b>–</b>	<b>44</b>	<b>–</b>	<b>–</b>	<b>(161)</b>	<b>(93)</b>	<b>–</b>	<b>165</b>
<b>Intangible fixed assets under construction</b>										
– historic cost	–	11	–	–	–	–	–	–	(1)	10
<b>Net</b>	<b>–</b>	<b>11</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1)</b>	<b>10</b>
<b>Total intangible assets with a finite useful life</b>										
– historic cost	105,421	1,108	3,000	–	3,423	549	(1,990)	(3,404)	(61)	95,200
– amortisation	63,837	–	3,000	5,541	–	538	(358)	(706)	(60)	65,792
<b>Net</b>	<b>41,584</b>	<b>1,108</b>	<b>–</b>	<b>5,541</b>	<b>3,423</b>	<b>11</b>	<b>(1,632)</b>	<b>(2,698)</b>	<b>(1)</b>	<b>29,408</b>



(€'000)	Balance at 31.12.2015	Changes during the financial year						Balance at 31.12.2016
		Incr.	Decr.	Depr.	Impair- ment	Currency translation differences	Reclassification	
<b>Trademarks and publishing titles</b>								
– historic cost	53,949	1,916	–	–	11,948	1,983	–	45,900
– amortisation	27,586	–	–	2,039	–	903	–	30,528
Net	26,363	1,916	–	2,039	11,948	1,080	–	15,372
<b>Concessions, licenses and similar rights</b>								
– historic cost	3,525	160	–	–	–	–	–	3,685
– amortisation	3,076	–	–	287	–	–	–	3,363
Net	449	160	–	287	–	–	–	322
<b>Industrial patents and intellectual property rights</b>								
– historic cost	37,453	1,058	878	–	–	59	10	37,702
– amortisation	35,032	–	871	1,606	–	12	–	35,779
Net	2,421	1,058	7	1,606	–	47	10	1,923
<b>Non-competition agreements</b>								
– historic cost	263	–	–	–	–	81	–	344
– amortisation	98	–	–	57	–	46	–	201
Net	165	–	–	57	–	35	–	143
<b>Intangible fixed assets under construction and advances</b>								
– historic cost	10	17	–	–	–	–	(10)	17
Net	10	17	–	–	–	–	(10)	17
<b>Total intangible assets with a finite useful life</b>								
– historic cost	95,200	3,151	878	–	11,948	2,123	–	87,648
– amortisation	65,792	–	871	3,989	–	961	–	69,871
Net	<b>29,408</b>	<b>3,151</b>	<b>7</b>	<b>3,989</b>	<b>11,948</b>	<b>1,162</b>	–	<b>17,777</b>



## Trademarks and publishing titles

This item totalled Euro 15.372 million with the following breakdown:

- exhibition trademarks:
  - Host: Euro 1.968 million;
  - Mipap Milano Prêt-à-Porter: Euro 1.850 million;
  - Exposec: Euro 1.697 million;
  - Fisp: Euro 1.636 million;
  - Promotion Trade Exhibition: Euro 1.346 million;
  - Fluidtrans Compomac: Euro 0.824 million;
  - Transpotec & Logitec: Euro 0.511 million;
  - NF Travel & Technology Event: Euro 0.490 million;
  - Festivity: Euro 0.399 million;
  - Bias: Euro 0.367 million;
  - Miart: Euro 0.137 million;
  - BtoBio Expo: Euro 0.089 million;
  - Other: Euro 0.029 million;
- other trademarks and publishing titles:
  - Business International: Euro 2.111 million;
  - Technology publications: Euro 1.376 million;
  - Food & Beverage publications: Euro 0.542 million.

Most trademarks are of specific directly organised exhibitions of the Group.

Publications are specialist trade publications.

The trademarks and the publications came under Group control through various transactions and corporate mergers that took place over time. Since the last quarter of 2008, following the assessment of the finite useful life of each exhibition and publication, these have been amortised. Previously, they were accounted as assets with an indefinite useful life.

The increase of Euro 1.916 million in intangible assets relating to trademarks and publishing titles in the financial year under review is mainly attributable to the Parent Company for the following:

- Euro 1.400 million for the acquisition on 23 March 2016 of the trademark of the Promotion Trade Exhibition (PTE), an international exhibition for promotional items, business gifts and technologies for their personalisation;
- Euro 0.500 million for the acquisition of the trademark NF Travel & Technology Event, which in 2018 will become part of the proprietary exhibition BIT through a content development project structured around professional conferences and seminars; the useful life of this trademark was brought in line with that of the BIT trademark.



During 2016, the internal and external sources of information under paragraphs 12-14 of IAS 36 were analysed and gave indications of impairment loss. The impairment tests showed the following impairment losses:

- Euro 3.465 million for the Food & Beverage publications of Fiera Milano Media SpA;
- Euro 2.977 million for the Parent Company trademark BIT;
- Euro 2.908 million for the trademarks of the Good Food & Wine Show of Fiera Milano Exhibitions Africa PTY Ltd;
- Euro 0.993 for the Tubotech trademark of Cipa FM;
- Euro 0.774 million for the Cipa trademark of Cipa FM;
- Euro 0.356 million for the Transpotec & Logitec trademark of the Parent Company;
- Euro 0.177 million for the Exposec trademark of Cipa FM;
- Euro 0.127 million for the Braseg trademark of Cipa FM;
- Euro 0.096 million for the Security trademark of Cipa FM;
- Euro 0.052 million for the Incendio trademark of Cipa FM;
- Euro 0.023 million for other trademarks of Cipa FM.

The intangible assets of the exhibition trademark of the Good Food & Wine Show in South Africa and of the Brazilian trademarks, with the exception of Fisc and Exposec, were written down to zero. In Italy, impairment losses were recognised for the entire value of the exhibition trademarks of BIT and Transpotec and for the Food & Beverage publications that had suffered a slowdown in revenues.

The impairment tests on the Food & Beverage publications used a WACC of 6.80% with a risk-free rate of 1.46%, a market risk premium of 5.6%, a levered beta representing the average for the sector of 0.72, a specific risk premium of 3%, a cost of debt of 2.36% and a ratio of debt to invested capital of 25%.

To measure the recoverable value, the cash flow projections in the 2017-2020 Industrial Plan approved by Fiera Milano Media SpA were discounted; the useful life of the publications was considered but no terminal value was included.

The impairment tests on the BIT and Transpotec trademarks used a WACC of 5.30% with a risk-free rate of 1.46%, a market risk premium of 5.6%, a levered beta representing the average for the sector of 0.72, a specific risk premium of 1%, a cost of debt of 2.36% and a ratio of debt to invested capital of 25%.

To measure the recoverable value, the cash flow projections in the 2017-2020 Industrial Plan approved by Fiera Milano SpA were discounted; the useful life of the trademarks was considered but no terminal value was included.

The impairment test on the Good Food & Wine trademark used a WACC of 12.25% with a risk-free rate of 9.03%, a market risk premium of 5.6%, a levered beta representing the average for the sector of 0.71, a specific risk premium of 2%, a cost of debt of 5.56% and a ratio of debt to invested capital of 25%.

To measure the recoverable value, the cash flow projections in the 2017-2020 Industrial Plan approved by the subsidiary FMEA were discounted; the useful life of the trademark was considered but no terminal value was included.

The impairment tests on the Brazilian trademarks used a WACC of 14.10% with a risk-free rate of 13.0%, a market risk premium of 5.6%, a levered beta representing the average for the sector of 0.70, a specific risk premium of 1%, a cost of debt of 4.06% and a ratio of debt to invested capital of 25%.





To measure the recoverable value, the cash flow projections in the 2017-2020 Industrial Plan approved by the subsidiaries Cipa FM and Eurofairs were discounted; the useful life of each trademarks was considered but no terminal value was included.

There were no indications of impairment for the other intangible assets with a finite useful life.

Other changes in this item were as follows:

- Euro 2.039 million of amortisation;
- Euro 1.080 million of exchange rate effects.

#### Concessions, licences and similar rights

This entry was Euro 0.322 million net of amortisation for the year of Euro 0.287 million; the Euro 0.160 million increase was mainly for the purchase of software licences with rights of use for a limited period by the Parent Company.

Time-limited software licences are amortised over a period of three years.

#### Industrial patents and intellectual property rights

These totalled Euro 1.923 million net of amortisation for the year of Euro 1.606 million. The total increase of Euro 1.058 million mainly referred to costs associated with the implementation of digital projects and the purchase of licensed software by the Parent Company.

These are amortised over a period of between three and ten years. The Parent Company information system is amortised over a useful life of three years.

#### Non-compete agreements

This item was Euro 0.143 million net of depreciation and amortisation for the year of Euro 0.057 million and is attributable to Cipa FM.

#### Intangible fixed assets under construction

This item was Euro 0.017 million and was for an analysis of the management communication processes with the Parent Company clients. The value of this asset, when completed, will be reclassified in fixed assets and it will start to be amortised.



## 9) Equity accounted investments

This entry was Euro 18.198 million (Euro 16.955 million at 31 December 2015) and included:

- Euro 16.116 million for the 49% shareholding in Hannover Milano Global Germany GmbH;
- Euro 2.082 million for the 49% shareholding in Ipack Ima Srl.

The changes in these investments are given below:

(€'000)	Balance at 31.12.2015	Changes during the financial year				Balance at 31.12.2016
		Results	Dividend distribution	Conferral of the business division to the JV	Currency translation differences	
Equity-accounted investments	16,955	1,259	(2,939)	3,111	(188)	18,198
<b>Total</b>	<b>16,955</b>	<b>1,259</b>	<b>(2,939)</b>	<b>3,111</b>	<b>(188)</b>	<b>18,198</b>

Further details are provided in Note 2 – Disclosure on subsidiaries, joint ventures and associates.

## 10) Other investments

This item was Euro 0.029 million (Euro 0.029 million at 31 December 2015) and was for the shareholding in Esperia SpA.

## 11) Trade and other receivables

These totalled Euro 12.473 million (Euro 13.035 million at 31 December 2015).

The changes in this item were as follows:

(€'000)	Balance at 31.12.2015	Changes during the financial year		Balance at 31.12.2016
		Increase	Decrease	
Other receivables from the controlling shareholder	12,125	-	263	11,862
Other guarantee deposits	585	2	-	587
Other receivables	325	-	301	24
<b>Total</b>	<b>13,035</b>	<b>2</b>	<b>564</b>	<b>12,473</b>

The entry included:

- other receivables from the controlling shareholder of Euro 11.862 million (Euro 12.125 million at 31 December 2015). Euro 10.412 was for the guarantee deposit paid by the Parent Company under the lease agreements for the two exhibition sites of Rho and Milan. This sum is equivalent to the combined quarterly rent on the two exhibition sites; the residual amount of Euro 1.450 million is the non-current part of the receivable arising from the right to repayment from Fondazione Fiera Milano of the guarantee deposit paid on the two previous lease agreements offset by the payable by Fiera Milano of the guarantee deposits for the new lease agreements. This receivable will be paid over the length of the contracts through a reduction in the amount payable by Fiera Milano SpA to Fondazione Fiera Milano for each six-monthly rental payment;



- other guarantee deposits totalling Euro 0.587 million (Euro 0.585 million at 31 December 2015). These were almost entirely for the guarantee deposit under the property lease agreement for the Palazzo Italia project in Berlin in the Parent Company. The sum of Euro 0.498 million equates to the quarterly rent under the agreement;
- other receivables of Euro 0.024 million (Euro 0.325 million at 31 December 2015). This was the Parent Company receivable from the disposal of the Rich-Mac trademark to be paid in December 2019. The amount of the receivable was adjusted by a movement to the provision for doubtful receivables to bring the carrying value of the receivable in line with the presumed recoverable value.

Trade and other receivables included Euro 11.862 million (Euro 12.125 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 48.

## 12) Deferred tax assets

These were Euro 3.678 million (Euro 3.175 million at 31 December 2015) and were the net balance of deferred tax assets and deferred tax liabilities.

An analysis of the changes in deferred taxes is given in Note 46 to the Income Statement.

## CURRENT ASSETS

## 13) Trade and other receivables

(€'000)	31.12.2016	31.12.2015	Change
Trade receivables	37,216	52,756	(15,540)
Trade receivables from the controlling shareholder	4,186	801	3,385
Trade receivables from associates	204	-	204
Other receivables	5,786	4,621	1,165
Prepaid expenses from the controlling shareholder	3,982	4,540	(558)
Accrued income and prepaid expenses	853	1,214	(361)
<b>Total</b>	<b>52,227</b>	<b>63,932</b>	<b>(11,705)</b>

These were Euro 52.227 million (Euro 63.932 million at 31 December 2015) and included the following items:

- Trade receivables from clients of Euro 37.216 million (Euro 52.756 million at 31 December 2015) net of Euro 7.813 million of provisions for doubtful receivables. They comprised receivables from organisers and exhibitors related to providing exhibition space and services for exhibitions. The decrease compared to the preceding financial year mainly reflected lower business volumes due to the different exhibition calendar.



The sum for receivables was adjusted for the provision for doubtful receivables in order to bring the nominal value in line with the estimated recoverable value. The change in this provision in the financial year under review is shown in the table below:

(€'000)	31.12.2015	Provisions	Utilisation and other changes	31.12.2016
Provision for doubtful receivables	8,570	1,312	(2,069)	7,813

The provision was for receivables that were deemed difficult to recover.

- Euro 4.186 million (Euro 0.801 million at 31 December 2015) of receivables from the controlling shareholder were:
  - Euro 3.432 million (zero at 31 December 2015) for the tax consolidation;
  - Euro 0.205 million (Euro 0.243 million at 31 December 2015) of Group VAT receivables;
  - Euro 0.549 million (Euro 0.558 million at 31 December 2015) of other receivables.
- Euro 5.786 million (Euro 4.621 million at 31 December 2015) of other receivables that were:
  - Euro 2.598 million (Euro 1.311 million at 31 December 2015) of advances to suppliers;
  - Euro 1.593 million (Euro 0.748 million at 31 December 2015) of other tax receivables of which Euro 0.871 million for Cipa FM and Euro 0.722 million for other companies;
  - Euro 0.408 million (Euro 0.407 million at 31 December 2015) of VAT receivables;
  - Euro 0.299 million (Euro 0.294 million at 31 December 2015) of receivables for tax credits on employee severance indemnities;
  - Euro 0.236 million (Euro 0.360 million at 31 December 2015) of receivables from employees;
  - Euro 0.202 million (Euro 0.170 million at 31 December 2015) for advance payments to INAIL;
  - Euro 0.459 million (Euro 1.331 million at 31 December 2015) of other receivables.
- Accruals from the controlling shareholder of Euro 3.982 million (Euro 4.540 million at 31 December 2015) that were mainly for the rent for the **fieramilano** exhibition site.
- Accruals of Euro 0.853 million (Euro 1.214 million at 31 December 2015) for insurance premiums and other accruals and for costs incurred in the financial year under review but pertaining to future financial years.

The entry for trade and other receivables included Euro 8.372 million (Euro 5.341 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 48.

## 14) Inventories

Inventories were Euro 5.480 million (Euro 1.884 million at 31 December 2015) and the breakdown was as follows:

(€'000)	31.12.2016	31.12.2015	Change
Raw materials, subsidiary materials and consumables	35	62	(27)
Deferred costs	5,445	1,822	3,623
<b>Total inventories</b>	<b>5,480</b>	<b>1,884</b>	<b>3,596</b>

Deferred costs referred to exhibitions and congresses to be held after 31 December 2016.



Information by exhibition is given in the following table:

### Exhibition

(€'000)	31.12.2016	31.12.2015	Change
Tuttofood	1,781	346	1,435
Host	608	109	499
Bit	318	192	126
Homi I semester	313	301	12
Fruit Innovation	237	-	237
Expodetergo	236	-	236
Transpotec & Logitec	204	2	202
Sicurezza	176	-	176
Promotion Trade Exhibition	162	-	162
Miart	155	201	(46)
Fisp	142	157	(15)
Other	1,113	514	599
<b>Total</b>	<b>5,445</b>	<b>1,822</b>	<b>3,623</b>

The entry for inventories included Euro 0.191 million (zero at 31 December 2015 for related-party transactions). Further details on related-party transactions are given in Note 48.

### 15) Current financial assets

These were Euro 2.622 million (zero at 31 December 2015) and the breakdown was as follows:

(€'000)	31.12.2015	Increase	31.12.2016
Current financing to Group companies	-	2,622	2,622
<b>Total</b>	-	<b>2,622</b>	<b>2,622</b>

Current financial assets were for financing given by the Parent Company to the joint venture Ipack Ima Srl. The interest rate on this financing had been 3-month Euribor plus a spread of 220 basis points but was changed to a fixed rate of 1.50% from 1 October 2016;

This entire entry is a related-party transaction (zero at 31 December 2015). Further details on related-party transactions are given in Note 48.



## 16) Cash and cash equivalents

These were Euro 20.904 million (Euro 56.092 million at 31 December 2015) and were mainly bank deposits of temporary cash.

The figure for the previous financial year included the proceeds of the share capital increase.

The financial flows compared to 31 December 2015 are shown in the Statement of Cash Flows.

## EQUITY AND LIABILITIES

### 17) Equity

The breakdown of consolidated equity was as follows:

(€'000)	31.12.2016	31.12.2015	Change
Share capital	41,645	41,818	(173)
<i>of which treasury shares</i>	<i>(800)</i>	<i>(627)</i>	<i>(173)</i>
Share premium reserve	35,668	65,679	(30,011)
<i>of which treasury shares</i>	<i>(3,204)</i>	<i>(2,913)</i>	<i>(291)</i>
Legal reserve	8,489	-	8,489
Other reserves	(6,775)	(6,936)	161
Retained profits/(losses)	4,773	(17,003)	21,776
Profit/(loss) for the period	(22,794)	1,014	(23,808)
<b>Group equity</b>	<b>61,006</b>	<b>84,572</b>	<b>(23,566)</b>
Capital and reserves – non-controlling interests	729	1,281	(552)
Profit/(loss) – non-controlling interests	(56)	(585)	529
<b>Non-controlling interests</b>	<b>673</b>	<b>696</b>	<b>(23)</b>
<b>Total</b>	<b>61,679</b>	<b>85,268</b>	<b>(23,589)</b>

The amounts and changes compared to 31 December 2015 were as follows:

#### Share capital

At 31 December 2016, the share capital was Euro 41.645 million (Euro 41.818 million at 31 December 2015), net of Euro 0.800 million of treasury shares. The fully paid-up share capital of the Parent Company was 71,917,829 ordinary shares with no restrictions on dividend distribution and repayment of share capital, except as provided by law for treasury shares.



The breakdown of the shares outstanding is shown in the following table:

	Number of shares at 31 December 2015	Change			Number of shares at 31 December 2016
		Capital Increase	Purchase	Sale	
Ordinary shares in issue	71,917,829	-	-	-	71,917,829
Treasury shares	645,008	-	294,010	-	939,018
Total shares outstanding	71,272,821				70,978,811

Under IAS/IFRS, the nominal value of treasury shares is carried directly to equity whilst the difference between the nominal value and the acquisition price of treasury shares is taken to the share premium reserve.

The Extraordinary Shareholders' Meeting of 31 July 2015, at the same time as approving the share capital increase, also approved the cancellation of the nominal value of the shares that comprise the share capital. Therefore, since that date the nominal value is calculated by dividing the share capital by the number of shares outstanding. At 31 December 2016, this gave an implicit nominal value of Euro 0.59 per share.

On 24 June 2016, the Parent Company announced a buyback of shares under the authority given it by the Ordinary Shareholders' Meeting of 28 April 2016. The aim of Fiera Milano SpA was to increase the number of treasury shares held to support the 2017-2023 Stock Option Plan, as well as to stabilise movements in the share price. At 31 December 2016, it had bought back 294,010 treasury shares at an average price of Euro 1.58 per share for a total value of Euro 0.464 million. At 31 December 2016, the Parent Company held 920,768 treasury shares, equal to 1.28% of the share capital. The remaining 18,250 shares are held by Ipack-Ima SpA.

### Share premium reserve

This was Euro 35.668 million (Euro 65.679 million at 31 December 2015) net of Euro 3.204 million of treasury shares.

The changes during the financial year under review were in the Parent Company and were as follows:

- a Euro 29.657 million decrease following the approval of the Shareholders' Meeting of 28 April 2016 to use the share premium reserve to cover the Euro 21.168 million of losses carried forward and Euro 8.489 million to rebuild the legal reserve;
- a Euro 0.291 million decrease from the buyback of shares;
- a Euro 0.063 million decrease in pre-paid taxes and in the amount deducted for costs associated with the share capital increase, which in the previous year were taken against equity, net of the tax effect as required by IAS 32.



## Legal reserve

This entry was Euro 8.489 million (zero at 31 December 2015). The increase followed the approval of the Parent Company Shareholders' Meeting of 28 April 2016 to rebuild the legal reserve under Article 2430, paragraph 2, by using the share premium reserve.

## Other reserves

These were negative for Euro 6.775 million (negative for Euro 6.936 million at 31 December 2015).

The change in the period under review was attributable to the translation reserve.

## Retained profits/losses

This entry was Euro 4.773 million (negative for Euro 17.003 million at 31 December 2015).

Changes in the period under review were as follows:

- an improvement of Euro 21.168 million following the decision to cover the Parent Company losses carried forward by using the share premium reserve;
- Euro 1.014 million for the allocation of the result for the previous financial year;
- a decrease of Euro 0.409 million for the remeasurement of the defined benefit plans net of the tax effect;
- Euro 0.003 million of other movements.

## Profit/(loss) for the period

The Group net loss for the financial year at 31 December 2016 was Euro 22.794 million. The net profit in the previous financial year was Euro 1.014 million.

## Non-controlling interests

### Capital and reserves: non-controlling interests

At 31 December 2016, these totalled Euro 0.729 million (Euro 1.281 million at 31 December 2015).

The changes in the financial year under review were as follows:

- a decrease of Euro 0.585 million following allocation of the net result of the previous financial year;
- a decrease of Euro 0.147 million in the translation reserve;
- a decrease of Euro 0.026 million for dividend distributions;
- an increase of Euro 0.059 million for the 49% shareholding in the company La Fabbrica del Libro SpA;
- an increase of Euro 0.147 million for financing from the shareholders of MiCo DMC Srl.

### Profit/(loss) for the period: non-controlling interests

The net result attributable to non-controlling interests was a loss of Euro 0.056 million (net profit of Euro 0.585 million at 31 December 2015).





## LIABILITIES

### NON-CURRENT LIABILITIES

#### 18) Bank borrowings

Bank borrowings totalled Euro 14.108 million (Euro 10.922 million at 31 December 2015):

#### Non-current bank borrowings

(€'000)	31.12.2016	31.12.2015	Change
Bank loans – non current	14,108	10,922	3,186
<b>Total</b>	<b>14,108</b>	<b>10,922</b>	<b>3,186</b>

(€'000)	Fiera Milano SpA	Total
Non-current bank borrowings	14,108	14,108
<i>of which maturing beyond five years</i>	-	-
<b>Total</b>	<b>14,108</b>	<b>14,108</b>

Non-current bank borrowings were those of the Parent Company and were:

- Euro 2.201 million (Euro 6.601 million at 31 December 2015) for the non-current portion of the Euro 20.000 million financing granted by Banca Popolare di Milano SpA on 6 December 2013 and repayable in six-monthly instalments in arrears from 30 June 2014 until 30 June 2018 with interest at 3-month Euribor plus a spread of 2.0%;
- Euro 2.886 million (zero at 31 December 2015) for the non-current portion of the Euro 10.000 million financing granted by Banca Popolare di Bergamo on 23 May 2016 and repayable in quarterly instalments in arrears from 23 August 2016 until 23 May 2018 with interest at 3-month Euribor plus a spread of 1.85%;
- Euro 3.774 million (zero at 31 December 2015) for the non-current portion of the Euro 15.000 million financing given by Banca Popolare di Lodi on 25 May 2016 and repayable in quarterly instalments in arrears from 30 June 2016 until 30 June 2018 with interest at 3-month Euribor plus a spread of 1.50%;
- Euro 1.505 million (zero at 31 December 2015) for the non-current portion of the Euro 3.000 million financing given by Cassa di Risparmio di Parma e Piacenza SpA on 27 May 2016 and repayable in quarterly instalments in arrears from 27 August 2016 until 27 May 2019 with interest at 3-month Euribor plus a spread of 1.50%;
- Euro 1.258 million (zero at 31 December 2015) for the non-current portion of the Euro 5.000 million financing given by Banca Popolare di Lodi on 22 June 2016 by Banca Popolare di Lodi and repayable in quarterly instalments in arrears from 30 June 2016 until 30 June 2018 with interest at 3-month Euribor plus a spread of 1.50%;
- Euro 2.484 million (zero at 31 December 2015) for the non-current portion of the Euro 5.000 million financing given by Banca Nazionale del Lavoro SpA on 22 December 2016 and repayable in monthly instalments in arrears from 22 January 2017 until 22 December 2018 with interest at 1-month Euribor plus a spread of 1.50%.



The change compared to the previous financial year was due to new non-current loans taken out and to the early repayment (Euro 4.321 million at 31 December 2015) of the Euro 20.000 million financing given by Banca Popolare di Bergamo SpA on 21 December 2012.

The loan received on 6 December 2013 is subject to financial covenants governing the maximum level for the net debt/ equity ratio. This is measured annually and, when measured at 31 December 2016, had not exceeded the maximum levels under the covenants.

The loan received on 27 May 2016 is subject to commercial covenants. For the duration of the loan, the Parent Company has agreed to channel receivables and payables for a specific amount through current accounts opened with Cassa di Risparmio di Parma e Piacenza SpA.

The commercial covenants agreed as part of the credit line with the bank that gave the loan on 22 December 2016 were met.

## 19) Other financial liabilities

These totalled Euro 0.042 million (Euro 2.094 million at 31 December 2015) and the breakdown was as follows:

### Other non-current financial liabilities

(€'000)	31.12.2016	31.12.2015	Change
Adjustment of the put option on the shares of the Woldrex Ltd. minority shareholder	-	1,851	(1,851)
Other non-current financing	42	193	(151)
Finance leases	-	50	(50)
<b>Total</b>	<b>42</b>	<b>2,094</b>	<b>(2,052)</b>

The entire item is a related-party transaction (Euro 1.851 million at 31 December 2015). Further details on related-party transactions are given in Note 48.

## 20) Provisions for risks and charges

Provisions for risks and charges totalled Euro 3.584 million (Euro 3.343 million at 31 December 2015) and were as follows:

(€'000)	31.12.2015	Provisions	Utilisation	Currency translation differences	Reclassifications	31.12.2016
Provision for charges for "Palazzo Italia" project	2,057	-	-	-	(938)	1,119
Other provisions for risks and charges	1,286	118	87	12	1,136	2,465
<b>Total</b>	<b>3,343</b>	<b>118</b>	<b>87</b>	<b>12</b>	<b>198</b>	<b>3,584</b>

Provisions for risks and costs were:

- Euro 1.119 million (Euro 2.057 million at 31 December 2015) for the non-current part of the provision for the Palazzo Italia project in Berlin. The current portion of the provision, Euro 1.473 million, was classified under current provision for risks and charges. At 31 December 2016, the total provision for this risk was



Euro 2.592 million. At 31 December 2015 the total provision for this risk was Euro 3.302 million but Euro 1.739 million of the provision was used in the financial year under review and it was increased by Euro 1.029 million following a reworking of the forecasts for the use of the property;

- Euro 2.465 million (Euro 1.286 million at 31 December 2015) of risks and costs provisions for legal disputes with suppliers and other disputes calculated on their presumable outcome based on internal valuations supported by external legal advice. The reclassification of Euro 1.136 million to deferred tax liabilities was attributable to risk provisions of Cipa FM to cover any potential tax risks and the Euro 0.089 million provision was for the translation effect.

## 21) Employee benefit provisions

These were Euro 9.302 million (Euro 10.672 million at 31 December 2015).

Employee benefit provisions, calculated using actuarial methods, were for employee severance indemnities that had accrued at 31 December 2016 and were as follows:

(€'000)	31.12.2015	Effect of defined benefit plans on debt	Indemnities and advances paid	Conferral to the Joint Venture	31.12.2016
Defined benefit plans	10,672	1,187	1,962	595	9,302
<b>Total</b>	<b>10,672</b>	<b>1,187</b>	<b>1,962</b>	<b>595</b>	<b>9,302</b>

### Effect of defined benefit plans on debt

(€'000)	
Personnel expenses:	
– indemnities related to defined benefit plans	449
Financial expenses:	
– actualisation charges	201
Other comprehensive income	
– Remeasurement of defined benefit plans	537
<b>Total</b>	<b>1,187</b>

The Company uses a duly certified professional to determine the actuarial amounts.

The main hypotheses/assumptions used in the actuarial calculations for the defined benefit plans were as follows.

### Demographic assumptions

Mortality rate	Based on the ISTAT 2011 mortality tables by gender
Probability of disability	Based on the disability tables used in the INPS 2010 forecast model
Probability of termination of employment	Based on the probable employee turnover rate equal to 5% per annum of the companies being valued
Retirement probability	Assumption that the basic requirements needed to receive the compulsory general insurance (Assicurazione Generale Obbligatoria) were met
Probability of early retirement	Assumption of 3% per annum and an average amount of 70% of the staff-leaving indemnities of all the companies valued



## Economic and financial assumption for calculation of severance indemnity provisions

	31.12.2016	31.12.2015
Annual technical discount rate	1.30%	2.00%
Annual inflation rate	1.50%	1.50%
Annual rate of increase in total employees' salary	2.50%	2.50%
Annual rate of increase in severance indemnity provisions	2.62%	2.62%

The discount rate was calculated with reference to the Eurozone Iboxx Corporate AA index for a period equal to or greater than ten years and for three years for the calculation of the Directors' severance indemnity.

The following table gives sensitivity analyses for the main assumptions used to calculate the liability for defined benefit plans.

### Effect of defined benefit plans on debt

(€'000) Economic and financial assumptions	Range	Base figure (excluding the CEO's termination benefit)	Increase in assumptions	Decrease in assumptions
Annual technical discount rate	+/-0.5%	9,285	8,792	9,634
Annual rate of increase in total employees' salary	+/-0.5%	9,285	9,288	9,139
Life expectancy	+/-1 year	9,285	9,027	8,863

## 22) Deferred tax liabilities

(€'000)	31.12.2016	31.12.2015	Change
Deferred tax liabilities	3,523	5,709	(2,186)
<b>Total</b>	<b>3,523</b>	<b>5,709</b>	<b>(2,186)</b>

Deferred tax liabilities totalled Euro 3.523 million (Euro 5.709 million at 31 December 2015) and was the net balance of deferred tax assets and deferred tax liabilities for each company included in the area of consolidation.

The entry includes:

- Euro 2.914 million for the IRES deferred tax provision;
- Euro 0.609 million for the IRAP deferred tax provision.

An analysis of the changes in deferred tax liabilities is given in Note 46 to the Income Statement.



## CURRENT LIABILITIES

### 23) Bank borrowings

Current bank borrowings and changes in the period under review were as follows:

(€'000)	31.12.2016	31.12.2015	Change
Bank accounts	-	79	(79)
Bank overdrafts	18,019	22,500	(4,481)
Loans – current portion	27,523	16,887	10,636
<b>Total</b>	<b>45,542</b>	<b>39,466</b>	<b>6,076</b>

(€'000)	Fiera Milano	MiCo DMC Srl	Cipa FM	Total
Bank overdrafts	18,019	-	-	18,019
Loans – current portion	26,049	209	1,265	27,523
<b>Total</b>	<b>44,068</b>	<b>209</b>	<b>1,265</b>	<b>45,542</b>

Credit lines to cover cash requirements were for the Parent Company and totalled Euro 18.019 million (Euro 22.500 million at 31 December 2015).

Credit lines with conditions attached included that from Banca Nazionale del Lavoro SpA, which was for advances on domestic receivables. Under the agreement for the credit line, each year Fiera Milano SpA channels through the bank incoming commercial funds in the form of payments, bank transfers, POS payments and notice payment forms (MAV) for an amount equal to a multiple of the credit line. At 31 December 2016, Euro 12.500 million of this credit line had been used.

Euro 27.523 million of the bank borrowings was mainly for the current part of the Parent Company loans and were:

- Euro 2.517 million payable on the Euro 5.000 million loan agreed on 26 February 2016 with Banca di Credito Cooperativo di Carate Brianza and repayable in quarterly instalments in arrears from 25 May 2016 until 25 August 2017 with interest at 3-month Euribor plus a spread of 1.75%;
- current payables on the loans described in Note 18: Euro 4.400 million for the loan taken out on 6 December 2013; Euro 5.707 million for the loan taken out on 23 May 2016; Euro 7.462 million for the loan taken out on 25 May 2016; Euro 0.990 million for the loan taken out on 27 May 2016; Euro 2.488 million for the loan taken out on 22 June 2016; and Euro 2.485 million for the loan taken out on 22 December 2016.

Bank borrowings are subject to floating rate interest.

### 24) Trade payables

These were Euro 41.114 million (Euro 49.267 million at 31 December 2015). Trade payables were mainly to Italian suppliers for the purchase of services required to mount the exhibitions that is the typical business of the Company.



## 25) Advances

Advances totalled Euro 40.239 million (Euro 34.880 million at 31 December 2015) and were mainly advances invoiced to clients for exhibitions to be held after the end of the financial year. Revenue recognition is delayed until the exhibition is held.

The table below gives a breakdown by exhibition. The change in advances compared to the previous financial year can be explained by the biennial and multi-annual frequency of some exhibitions:

(€'000)	31.12.2016	31.12.2015	Change
Homi I semester	11,700	11,035	665
Host	4,789	2,144	2,645
Tuttofood	3,108	168	2,940
Salone del mobile/Complemento d'arredo	1,941	1,956	(15)
Lineapelle I semester	1,800	1,600	200
Mido	1,756	1,402	354
Transpotec & Logitec	1,534	-	1,534
Micam Spring	953	985	(32)
Promotion trade exhibition	822	275	547
Mostra Convegno Expocomfort	790	7,894	(7,104)
Made Expo	692	-	692
Sicurezza	620	-	620
The One Milano	611	-	611
Simac Tanning-Tech	595	443	152
Milano Unica Spring	546	528	18
Exposec	504	369	135
Euroluce	492	-	492
Expodetergo	324	-	324
Lamiera	219	-	219
Fisp	190	945	(755)
Bit	176	557	(381)
Sposaitalia	175	103	72
Ipack-Ima	166	-	166
Mipel	144	139	5
GF&WS Cape Town	133	-	133
Myplant & garden	132	-	132
Made in Steel	103	-	103
Eurocucina	-	433	(433)
Bimu	-	381	(381)
Mifur	-	381	(381)
Salone Internazionale del bagno	-	250	(250)
Xylexpo	-	249	(249)
Fesqua	-	234	(234)
Venditalia	-	182	(182)
Esposizione Canina	-	166	(166)
Congresses and other exhibitions	5,224	2,061	3,163
<b>Total</b>	<b>40,239</b>	<b>34,880</b>	<b>5,359</b>



This entry included Euro 0.178 million (zero at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 48.

## 26) Other current financial payables

(€'000)	31.12.2016	31.12.2015	Change
Financial payables to the controlling shareholder	1,627	15,225	(13,598)
Adjustment of the put option on the shares of the Wolrdex Ltd. minority shareholder	850	-	850
Other financial payables	836	641	195
Finance leases	51	170	(119)
<b>Total</b>	<b>3,364</b>	<b>16,036</b>	<b>(12,672)</b>

These totalled Euro 3.364 million (Euro 16.036 million at 31 December 2015).

The entry for financial payables to the controlling shareholder refers to the Parent Company and was the balance in the current account held with Fondazione Fiera Milano that carries interest at 1-month Euribor plus a spread of 1.75%. The change compared to the previous financial year was mainly due to the rent payable on the exhibition site in 2015.

Other financial payables were mainly for the non-controlling interests of Cipa FM acquired by Eurofairs and for the dividend distributions of MiCo DMC Srl and AIM Group International SpA.

Other financial payables included Euro 2.503 million (Euro 15.225 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 48.

## 27) Current provisions for risks and charges

(€'000)	31.12.2015	Provisions	Utilisation	Reclassification	Currency translation differences	31.12.2016
Palazzo Italia project	1,245	1,029	1,739	938	-	1,473
Losses on exhibitions	-	1,564	-	-	-	1,564
Other provisions for risks and charges	2,670	1,978	2,961	-	39	1,726
<b>Total</b>	<b>3,915</b>	<b>4,571</b>	<b>4,700</b>	<b>938</b>	<b>39</b>	<b>4,763</b>

These were Euro 4.763 million (Euro 3.915 million at 31 December 2015) and the breakdown was as follows:

- Euro 1.473 million for the current portion of the provision for the Palazzo Italia project in Berlin already described in Note 20;
- Euro 1.564 million for the net present value of estimated cash flows in the Industrial Plan for loss-making exhibitions in 2017;



- Euro 1.726 million for disputes with employees, suppliers and others. The provisions were mainly for the estimates of the probable liabilities arising from disputes with employees linked to the administration orders. No provision was made for costs directly attributable to the Court-appointed Administrator and his assistants as these costs, under prevailing law and at this stage of the proceedings, are borne by the State. However, it cannot be excluded that, as part of the procedure, costs could occur or be charged to the companies involved, which, at the present date, cannot be identified or quantified.

Furthermore, the measures adopted as a result of the administration order have given rise to costs that are included in costs of services under services and technical, legal, commercial and administrative consultancy.

## 28) Current tax liabilities

(€'000)	31.12.2016	31.12.2015	Change
Income tax payable on profits for the year	56	2,980	(2,924)
Income tax payable for employees (IRPEF)	1,147	1,806	(659)
Income tax payable for self-employed and project workers (IRPEF)	201	233	(32)
Other tax liabilities	201	149	52
<b>Total</b>	<b>1,605</b>	<b>5,168</b>	<b>(3,563)</b>

Current tax liabilities totalled Euro 1.605 million (Euro 5.168 million at 31 December 2015).

The change in this figure is mainly due to the decrease in the tax payable by the Parent Company in the financial year under review.

## 29) Other current liabilities

Other current liabilities totalled Euro 16.513 million (Euro 37.470 million at 31 December 2015) and the breakdown was as follows:

(€'000)	31.12.2016	31.12.2015	Change
Payables to employees	4,994	11,081	(6,087)
Payables to exhibition organisers	3,961	15,169	(11,208)
Payables to Fondazione Fiera Milano	1,676	5,633	(3,957)
Payables to pension and social security entities	2,182	2,613	(431)
Group VAT payables	1,493	199	1,294
Trade payables to Subsidiaries	310	-	310
Payables to directors and statutory auditors	68	97	(29)
Other payables	1,533	2,259	(726)
Payables to related parties	11	-	11
Deferred income and Accrued liabilities	285	419	(134)
<b>Total</b>	<b>16,513</b>	<b>37,470</b>	<b>(20,957)</b>





The main changes compared to the previous financial year were the following:

- lower payables to exhibition organisers due to the decrease in payments received on behalf of exhibition organisers;
- a decrease in liabilities for personnel that mainly referred to the Parent Company for the variable component of employee remuneration and redundancy incentives that were part of the voluntary retirement plan, which were recognised in the previous financial year;
- a decrease in payables to the controlling shareholder mainly for the variable component of rent payable to Fondazione Fiera Milano only in the 2015 financial year because a target level of revenues had been exceeded;
- an increase in Group VAT payables.

This entry also included Euro 3.490 million (Euro 5.832 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 48.

### 30) Financial assets and liabilities

At 31 December 2016, the Group had net debt of Euro 38.316 million (Euro 12.426 million at 31 December 2015), as shown in the following table. Where applicable, any component of each entry that is a related-party transaction is shown separately.

#### Group Net Financial Position

<i>(Amounts in €'000)</i>	31.12.2016	31.12.2015	Change
A. Cash (including bank balances)	20,904	56,092	(35,188)
B. Other cash equivalents	-	-	-
C. Securities held for trading	-	-	-
<b>D. Cash and cash equivalents (A+B+C)</b>	<b>20,904</b>	<b>56,092</b>	<b>(35,188)</b>
<b>E. Current financial assets</b>	<b>2,622</b>	-	<b>2,622</b>
– E.1 of which Other non current liabilities to other related parties	2,622	-	2,622
F. Current bank borrowings	18,019	22,579	(4,560)
G. Current portion of non-current debt	27,523	16,887	10,636
H. Other current financial liabilities	3,364	16,036	(12,672)
– H.1 of which Other current financial liabilities to the controlling shareholder	1,627	15,225	(13,598)
– H.2 of which Other current financial liabilities to other related parties	876	-	876
<b>I. Current financial debt (F+G+H)</b>	<b>48,906</b>	<b>55,502</b>	<b>(6,596)</b>
<b>J. Current net financial debt (cash) (I-E-D)</b>	<b>25,380</b>	<b>(590)</b>	<b>25,970</b>
K. Non-current bank borrowings	14,108	10,922	3,186
L. Debt securities in issue	-	-	-
M. Other non-current liabilities	42	2,094	(2,052)
– M.1 of which Other non current liabilities to other related parties	42	1,851	(1,809)
<b>N. Non-current financial debt (K+L+M)</b>	<b>14,150</b>	<b>13,016</b>	<b>1,134</b>
<b>Net financial debt/(cash) from continuing operations (J+N)</b>	<b>39,530</b>	<b>12,426</b>	<b>27,104</b>
<b>Net financial debt/(cash) from assets held for sale</b>	<b>(1,214)</b>	-	<b>(1,214)</b>
<b>O. Net financial debt/(cash)</b>	<b>38,316</b>	<b>12,426</b>	<b>25,890</b>



Net debt increased by Euro 25.890 million. The higher figure was due to a decrease in operating cash flows from net working capital, mainly due to a change in payables to exhibition organisers, caused by the different exhibition calendar, and in payables to suppliers.

Additional information on the financial instruments of the Company is given below to enable a better assessment of:

- a) the importance of financial instruments for the Statement of Financial Position and Income Statement;
- b) the significance and type of risks deriving from the financial instruments to which the Company was exposed during the financial year under review and the previous financial year and the relevant risk management procedures.

### Classes of financial instruments

The items in the Statement of Financial Position and the types of risk related to financial instruments at 31 December 2016 and 31 December 2015 are shown in the following table.

#### Risk class

(€'000)	Notes	FY 31.12.2016	FY 31.12.2015	Liquidity risk	Interest rate risk	Credit risk
<b>NON-CURRENT ASSETS</b>						
1) Trade and other receivables	11	12,473	13,035			X
<b>CURRENT ASSETS</b>						
2) Trade and other receivables	13	52,227	63,932			X
3) Financial assets	15	2,622	-	X		
4) Cash and cash equivalents	16	20,904	56,092	X		
<b>NON-CURRENT LIABILITIES</b>						
5) Bank borrowings	18	14,108	10,922	X	X	
6) Other financial liabilities	19	42	2,094	X	X	
<b>CURRENT LIABILITIES</b>						
7) Bank borrowings	23	45,542	39,466	X	X	
8) Trade payables	24	41,114	49,267	X		
9) Other financial liabilities	26	3,364	16,036	X	X	
10) Other current liabilities	29	16,513	37,470	X		

### Significance of financial instruments

Financial instruments and their relative significance, as regards the Statement of Financial Position and Income Statement at 31 December 2015 and 31 December 2016, are shown in the following tables.



## Financial assets and liabilities shown in the accounts

(€'000)	Notes	FY 31.12.2015	Assets at fair value <sup>(a)</sup> through profit & loss	Loans and receivables	Investments held to maturity	Liabilities at amortised cost	Fair value	Impact on Income Statement
<b>NON-CURRENT ASSETS</b>								
1) Trade and other receivables	11	13,035	-	13,035	-	-	13,035	78
<b>CURRENT ASSETS</b>								
2) Trade and other receivables	13	63,932	-	63,932	-	-	63,932	(2,092)
3) Financial assets	15	-	-	-	-	-	-	-
4) Cash and cash equivalents	16	56,092	-	56,092	-	-	56,092	42
<b>NON-CURRENT LIABILITIES</b>								
5) Bank borrowings	18	10,922	-	-	-	10,922	10,922	(1,339)
6) Other financial liabilities	19	2,094	-	-	-	2,094	2,094	(70)
<b>CURRENT LIABILITIES</b>								
7) Bank borrowings	23	39,466	-	-	-	39,466	39,466	(782)
8) Trade payables	24	49,267	-	-	-	49,267	49,267	(1)
9) Other financial liabilities	26	16,036	-	-	-	16,036	16,036	(1,054)
10) Other current liabilities	29	37,470	-	-	-	37,470	37,470	-

(a) Fair value at the recognition date.

(€'000)	Notes	FY 31.12.2016	Assets at fair value <sup>(a)</sup> through profit & loss	Loans and receivables	Investments held to maturity	Liabilities at amortised cost	Fair value	Impact on Income Statement
<b>NON-CURRENT ASSETS</b>								
1) Trade and other receivables	11	12,473	-	12,473	-	-	12,473	24
<b>CURRENT ASSETS</b>								
2) Trade and other receivables	13	52,227	-	52,227	-	-	52,227	(1,312)
3) Financial assets	15	2,622	-	2,622	-	-	2,622	32
4) Cash and cash equivalents	16	20,904	-	20,904	-	-	20,904	113
<b>NON-CURRENT LIABILITIES</b>								
5) Bank borrowings	18	14,108	-	-	-	14,108	14,108	(809)
6) Other financial liabilities	19	42	-	-	-	42	42	(6)
<b>CURRENT LIABILITIES</b>								
7) Bank borrowings	23	45,542	-	-	-	45,542	45,542	(301)
8) Trade payables	24	41,114	-	-	-	41,114	41,114	(54)
9) Other financial liabilities	26	3,364	-	-	-	3,364	3,364	(118)
10) Other current liabilities	29	16,513	-	-	-	16,513	16,513	-

(a) Fair value at the recognition date.

As shown in the above tables, the accounting value of financial assets and liabilities is a reasonable approximation of their fair value; most of the financial instruments are current investments and borrowings and where non-current instruments have been used these have not been subject to significant contingent charges.



The financial instruments are classifiable under Level 3 of the fair value hierarchy of IFRS 13.

## 31) Financial and market risk management

The main financial instruments used by the Group are bank financing, current accounts and current financial loans from the controlling shareholder Fondazione Fiera Milano.

The Fiera Milano Group has a favourable cash management cycle due to the financial profile that characterises companies that organise exhibitions and congresses. These companies request an advance from their clients to confirm their participation in an event and this sum is normally cashed prior to the start of the event or at its conclusion. Suppliers of goods and services are paid using normal payment conditions. The organisers generate negative working capital from this system which gives a cash management surplus.

The Parent Company Fiera Milano SpA rents exhibition space to the organisers and provides administrative and cash management services, receiving on behalf of the organisers everything that the exhibitors pay the organiser. After receiving the cash, Fiera Milano SpA, depending on the contractual agreements, retrocedes to the organiser what is its due and keeps the payment for the space rented out in the exhibition venues and for the services provided. This system allows the Company to receive in advance the sums it is due, consistent with what is arranged with the organisers. Therefore, the companies in the Group that benefit from this favourable cash management cycle are those that organise events and the Parent Company.

The situation is different for the companies that belong to the Stand-fitting and Media segments: they have a cash management cycle that is typical of companies who manufacture and supply goods and services. They generate working capital requirements that are funded by bank borrowings.

The Company is exposed to the following different types of risk.

### 31.1 Credit risk

Credit risk is represented by the Company's exposure to potential losses from the non-fulfilment of obligations undertaken by counterparties. Credit risk is adequately monitored, as is that pertaining to the cash management that characterises the Group business. Fiera Milano hosts and organises exhibitions that are leaders in their sector and, therefore, the loyalty of exhibitors is high. For the Parent Company Fiera Milano SpA, the current system means that all receipts from exhibitors flow into the Fiera Milano SpA accounts and it is Fiera Milano SpA that retrocedes to its clients/organisers the amounts due to them.

Part of the services provided by the companies in the Stand-fitting and Media segments is invoiced and received on behalf of single Group companies by Fiera Milano SpA. Nevertheless, the companies in the Stand-fitting and Media segments carry out solvency assessments of potential clients and outstanding amounts are constantly monitored by the relevant departments so that any appropriate measures for debt recovery are implemented.

Three different categories of credit risk have been identified: organisers, exhibitors and other receivables. The first risk category is the exhibition **organisers**; the receivables included in this category are considered



to represent the lowest risk as the Parent Company Fiera Milano SpA manages the cash flows of all the exhibitions at the two sites. Provisions for doubtful receivables are minimal in comparison to the amounts received and have been made for a few receivables that are proving difficult to recover.

The second risk category is the **exhibitors**; the receivables from this category are considered medium risk as exhibitors normally have to make payment before the end of the exhibition.

The third risk category is **other receivables**, which mainly comprises exhibition-related activities (stand-fitting, congresses, promotions, internet services) and activities that are not exhibition-related (sponsorship, advertising, etc.). These receivables are payable under normal payment conditions.

The Group sometimes uses bank guarantees as a further means of counteracting credit risk.

The categories of credit risk at 31 December 2015 and at 31 December 2016 and the breakdown of overdue payments are shown in the following tables:

Class (€'000)	FY 31.12.2015 Receivables	Due	Breakdown of late payments (days)					Provision
			Overdue	0-90	91-180	181-270	>270	
Organisers	6,650	2,390	6,334	3,478	-	357	2,499	2,074
Exhibitors	16,799	9,987	8,493	4,053	617	1,228	2,595	1,681
Other	29,307	8,329	25,793	16,264	2,244	1,995	5,290	4,815
<b>Total</b>	<b>52,756</b>	<b>20,706</b>	<b>40,620</b>	<b>23,795</b>	<b>2,861</b>	<b>3,580</b>	<b>10,384</b>	<b>8,570</b>

Class (€'000)	FY 31.12.2016 Receivables	Due	Breakdown of late payments (days)					Provision
			Overdue	0-90	91-180	181-270	>270	
Organisers	3,170	1,721	3,421	1,079	-	65	2,277	1,972
Exhibitors	14,910	712	15,852	11,830	655	1,149	2,218	1,654
Other	19,136	6,901	16,422	8,319	1,695	935	5,473	4,187
<b>Total</b>	<b>37,216</b>	<b>9,334</b>	<b>35,695</b>	<b>21,228</b>	<b>2,350</b>	<b>2,149</b>	<b>9,968</b>	<b>7,813</b>

The provision for doubtful receivables is based on presumed recoverability, using internal assessments supported by those of external legal consultants.



Changes in the provision for doubtful receivables by class of risk are shown in the following table:

Class (€'000)	Balance at 31.12.2014 Provision	Provisions	Utilisation	Other changes	Balance at 31.12.2015 Provision
Organisers	1,355	719	-	-	2,074
Exhibitors	1,923	631	873	-	1,681
Other	5,811	742	1,378	(360)	4,815
<b>Total</b>	<b>9,089</b>	<b>2,092</b>	<b>2,251</b>	<b>(360)</b>	<b>8,570</b>

Class (€'000)	Balance at 31.12.2015 Provision	Provisions	Utilisation	Other changes	Balance at 31.12.2016 Provision
Organisers	2,074	-	102	-	1,972
Exhibitors	1,681	900	927	-	1,654
Other	4,815	412	1,085	45	4,187
<b>Total</b>	<b>8,570</b>	<b>1,312</b>	<b>2,114</b>	<b>45</b>	<b>7,813</b>

## 31.2 Liquidity risk

Although the Group has taken measures to ensure that it has adequate levels of working capital and liquidity, a drop in business volumes caused by the seasonality and cyclicity that characterise the exhibition business could affect its financial results and its ability to generate cash flow. The year-on-year increase in Group net debt at 31 December 2016 was influenced by the less favourable exhibition calendar and, in particular, by the decrease in advances from organisers confirming their participation in events.

The aim of risk management at Fiera Milano SpA and the use of debt is to guarantee an adequate level of liquidity, minimising the opportunity cost and maintaining a balance in terms of the duration and composition of debt. To cover its investments, over the years, the Parent Company has transferred part of its current debt to non-current debt by agreeing a series of loans that last from two to five years.

As described in Note 18, the non-current loan granted by Banca Popolare di Milano SpA to the Parent Company on 6 December 2013, of which Euro 6.601 million is still outstanding, is subject to financial covenants that are measured annually. At 31 December 2016, these covenants had been met.

The credit lines currently existing with banks, together with forecast operating cash flows, were considered sufficient to cover the short-term financial requirements despite the peaks in cash absorption that are concentrated in the months when there are no exhibitions and when financial requirements are covered using the funds available in the current account held with the controlling shareholder Fondazione Fiera Milano.

Maintaining the financial equilibrium of the Company is also dependent on attaining the targets of the Industrial Plan, as well as on the performance of the economy, forecasts for which necessitate an assessment of the outcome of future events and circumstances that by their very nature are uncertain.



The tables below give the breakdown of financial liabilities by maturity date and the outstanding interest payable to maturity at 31 December 2015 and 31 December 2016.

## Financial liabilities

(€'000)	Balance at 31.12.2015	3 mths	6 mths	12 mths	18 mths	24 mths	3 years	5 years	>5 years
Current bank borrowings	39,466	24,514	7,937	7,015					
Current interest payable		203	247	461					
Other current financial liabilities	16,036	5,085	10,225	726					
Current interest payable		63	45	2					
Non-current bank borrowings	10,922				4,338	4,382	2,202		
Non-current interest payable					187	109	37		
Trade payables	49,267	49,267							
Other non-current financial liabilities	2,094				50		1,851		193
Non-current interest payable					94	32	24		58
<b>Total</b>	<b>117,785</b>	<b>79,132</b>	<b>18,454</b>	<b>8,204</b>	<b>4,669</b>	<b>4,523</b>	<b>4,114</b>	<b>-</b>	<b>251</b>

(€'000)	Balance at 31.12.2016	3 mths	6 mths	12 mths	18 mths	24 mths	3 years	5 years	>5 years
Current bank borrowings	45,542	23,610	7,942	13,990					
Current interest payable		178	135	419					
Other current financial liabilities	3,364	850	1,678	836					
Current interest payable			15						
Non-current bank borrowings	14,108				11,860	1,744	504		
Non-current interest payable					87	9	2		
Trade payables	41,114	41,114							
Other non-current financial liabilities	42								42
Non-current interest payable									11
<b>Total</b>	<b>104,170</b>	<b>65,752</b>	<b>9,770</b>	<b>15,245</b>	<b>11,947</b>	<b>1,753</b>	<b>506</b>	<b>-</b>	<b>53</b>



### 31.3 Market risk

The Company reserves the right to use appropriate hedging instruments if the market risks become significant.

#### a) Interest rate risk

The Company has access to credit lines at competitive rates and is able to manage interest rate fluctuations. Moreover, the Company constantly monitors market conditions so as to intervene promptly should conditions change.

The composition of non-current and current bank borrowings is described in Notes 18 and 23.

The tables below give interest rate sensitivity analyses that show the effect of a +0.5% and a -0.5% change in interest rates on financial income and expenses in equity and in profit or loss for the 2015 and 2016 financial years.

(€'000)	Total at 31.12.15	Balance <sup>(*)</sup> (debt)	Income (expense)	Rate	+0,5%	-0,5%
Current accounts	55,958	24,253	42	0.17%	162	(80)
Bank overdrafts	(22,500)	(30,834)	(752)	2.44%	(907)	(598)
Current account with the controlling shareholder Fondazione Fiera Milano	(15,225)	(42,753)	(1,045)	2.44%	(1,257)	(829)
Current and non-current bank borrowings	(27,889)	(41,119)	(1,369)	3.33%	(1,575)	(1,164)
Other current and non-current financial liabilities	(2,905)	(2,528)	(89)	3.52%	(102)	(76)

(\*) average for the financial year

(€'000)	Total at 31.12.16	Balance <sup>(*)</sup> (debt)	Income (expense)	Rate	+0,5%	-0,5%
Current accounts	20,791	24,968	113	0.45%	237	(12)
Current loans to joint venture	2,622	1,640	32	1.95%	40	24
Bank overdrafts	(18,019)	(10,199)	(95)	0.93%	(146)	(44)
Current account	(1,627)	(6,039)	(107)	1.77%	(137)	(77)
Current and non-current bank borrowings	(41,631)	(39,314)	(1,021)	2.60%	(1,216)	(823)
Other current and non-current financial liabilities	(1,779)	(1,829)	(11)	0.60%	(20)	(2)

(\*) average for the financial year

#### b) Exchange rate risk

The Group operates in different markets worldwide and, therefore, is exposed to market risks from fluctuations in exchange rates.

As in the previous financial year, this risk remained relatively insignificant despite the presence of the Group in international markets. This is because the Group has no financing in foreign currencies and the exchange rate risk of the foreign activities is fairly limited as the business in each country has costs and revenues that are in the same currency. The risk is mainly related to infragroup transactions for debits that are part of cost sharing agreements, which give rise to exchange rate risk in the company whose functional currency differs from that in which the infragroup transaction is denominated.





## c) Risk of movements in raw material prices

The Group has limited exposure to the risk of changes in raw material prices. It normally has more than one supplier for any material considered critical and in some cases has long-term contracts that ensure lower price volatility.

### 32) Disclosure on guarantees given, undertakings and other potential liabilities

#### Guarantees given

These totalled Euro 6.363 million and the breakdown was as follows:

- Euro 2.921 million for the guarantee given by Fiera Milano Congressi SpA to the Tax Authority to offset VAT as part of the Group payment;
- BRL (Brazilian real) 5.500 million, equivalent to Euro 1.603 million, for the guarantee given by the Parent Company to Banco BNP Paribas Brasil SA on behalf of the subsidiary Cipa FM to cover the bank loans given by the bank;
- Euro 1.243 million for two bank guarantees given as a security deposit at the request of Expo 2015 Raggruppamento Temporaneo di Imprese that includes Nolostand SpA, Fiera Milano Congressi SpA and Siram SpA to guarantee the contractual obligations under the TCP1 and TCP2 (Auditorium) contracts;
- Euro 0.564 million for guarantees given for lease contracts of the subsidiaries Nolostand SpA, Fiera Milano Congressi SpA and Fiera Milano Media SpA;
- Euro 0.032 million for other guarantees.

#### Potential liabilities

There are currently several legal proceedings involving the Group and the estimated potential adverse outcome of these affects the following companies:

- Cipa FM for Euro 2.095 million (BRL 7.186 million) Tax Assessments – Municipality of São Paulo Brazil;
- Fiera Milano SpA for approximately Euro 0.500 million.

There are other potential liabilities the timing or size of which cannot be estimated. These are connected to the interruption or non-fulfilment of contracts with some suppliers following the implementation of the detailed reputational analysis described in Note 49.



# INCOME STATEMENT

## REVENUES

### 33) Revenues from sales and services

Revenues from sales and services were Euro 221.041 million (Euro 335.172 million at 31 December 2015). The breakdown of revenues was as follows:

(€'000)	2016	2015	Change
Sales of exhibition space	73,494	93,913	(20,419)
Rental of stands, fittings and equipment	48,854	71,212	(22,358)
Exhibitor fees	33,644	78,816	(45,172)
Catering and canteen services	19,605	25,835	(6,230)
Advertising space and services	10,970	12,836	(1,866)
Revenues from exhibition and congress organisation services	10,833	15,617	(4,784)
Exhibition site services	6,890	11,052	(4,162)
Miscellaneous fees and royalties	4,835	6,701	(1,866)
Supplementary exhibition services	2,622	7,487	(4,865)
Administrative, telephone and internet services	2,441	2,306	135
Exhibition insurance services	2,440	3,351	(911)
Access surveillance and customer care services	2,316	2,916	(600)
Congress organisation	1,021	1,103	(82)
Ticket office sales	591	1,379	(788)
Multimedia and on-line catalogue services	485	648	(163)
<b>Total</b>	<b>221,041</b>	<b>335,172</b>	<b>(114,131)</b>

The decrease in revenues was mainly attributable to the less favourable exhibition calendar, which the previous year had included the directly organised exhibitions Host and Tuttofood, the hosted exhibitions Made Expo and Simej, the triennial exhibitions Ipack-Ima and Plast, the multi-annual exhibition EMO, held in Milan every six years, and the itinerant exhibition ITMA. Furthermore, the 2015 financial year also benefited from higher stand-fitting and congress revenues from the contracts linked to Expo 2015. This effect was, in part, compensated by the presence of the important biennial exhibitions Mostra Convegno Expocomfort and Bimu.

The decrease in the item congress and events was due to Fiera Milano Congressi and was primarily caused by the absence of the revenues from the management of the Expo 2015 Congress Centre and Auditorium.

Revenues from sales and services included Euro 0.077 million (Euro 0.483 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 48.



## OPERATING COSTS

### 34) Costs of materials

These were Euro 2.281 million (Euro 4.859 million at 31 December 2015).

The breakdown was as follows:

(€'000)	2016	2015	Change
Subsidiary materials and consumables	1,669	3,893	(2,224)
Printed materials, forms and stationery	441	705	(264)
Raw materials	124	244	(120)
Finished goods and packaging	11	34	(23)
Change in inventories of raw materials	37	(17)	54
Uses of provisions	(1)	-	(1)
<b>Total</b>	<b>2,281</b>	<b>4,859</b>	<b>(2,578)</b>

The decrease of Euro 2.578 million mainly refers to Nolostand SpA and is mainly due to lower purchases of subsidiary materials caused by the different exhibition calendar.

This entry included Euro 0.001 million (Euro 0.001 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 48.



## 35) Costs for services

These totalled Euro 121.423 million (Euro 164.602 million at 31 December 2015).  
The breakdown was as follows:

(€'000)	2016	2015	Change
Stands and equipment for exhibitions	20,469	27,049	(6,580)
Equipment hire	20,205	30,427	(10,222)
Catering services	15,221	19,984	(4,763)
Energy costs	8,765	10,652	(1,887)
Technical, legal, commercial and administrative services	8,367	9,545	(1,178)
Maintenance	8,304	8,915	(611)
Advertising	7,766	4,549	3,217
Security and gate services	5,177	7,348	(2,171)
Cleaning and waste disposal	4,880	6,902	(2,022)
Insurance	3,301	3,623	(322)
Telephone and internet expenses	2,154	2,407	(253)
Collateral events connected to exhibitions	2,023	6,605	(4,582)
Ticketing	1,822	2,516	(694)
IT services	1,714	1,679	35
Transport	1,475	1,773	(298)
Technical assistance and ancillary services	1,383	1,548	(165)
Conference and congress services	884	798	86
Remuneration of Statutory Auditors	230	190	40
Expenses for statutory bodies	31	111	(80)
Change in suspended costs for future exhibitions	(3,783)	3,259	(7,042)
Other	11,526	14,917	(3,391)
Uses of provisions	(491)	(195)	(296)
<b>Total</b>	<b>121,423</b>	<b>164,602</b>	<b>(43,179)</b>

Costs of services mainly included costs for managing the exhibition sites during the setting up, running, and dismantling of exhibitions and congresses.

The figure decreased by Euro 43.179 million, compared to the figure at 31 December 2015, due to lower business volumes reflecting the cyclicity of the exhibition calendar.

The entry includes Euro 1.350 million (Euro 1.040 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 48.



## 36) Cost of use of third-party assets

This item totalled Euro 49.837 million (Euro 61.265 million at 31 December 2015) and the breakdown was as follows:

(€'000)	2016	2015	Change
Rent and expenses for exhibition sites	46,023	56,748	(10,725)
Other rental expenses	4,531	4,418	113
Vehicle hire	563	639	(76)
Lease of company division	140	63	77
Office equipment and photocopier hire	60	136	(76)
Uses of provisions	(1,480)	(739)	(741)
<b>Total</b>	<b>49,837</b>	<b>61,265</b>	<b>(11,428)</b>

The item, rent and expenses for exhibition sites, included the rent of Euro 45.889 million payable to the controlling shareholder Fondazione Fiera Milano, whilst other rental expenses included Euro 1.968 million under the lease agreement for the Palazzo Italia in Berlin.

The decrease is largely attributable to the absence of the non-recurring variable component of the rent for the **fieramilano** exhibition site that was payable only in 2015.

The total rental costs for the Rho and Milan exhibition sites and for the MiCo congress centre for the following periods are:

- 2017: Euro 45.822 million;
- 1 – 5 years: Euro 178.297 million;
- over 5 years: Euro 64.950 million.

The entry includes Euro 45.891 million (Euro 55.882 million at 31 December 2015 of which Euro 10.000 million was the non-recurring item of additional rent paid to Fondazione Fiera Milano) for related-party transactions. Further details on related-party transactions are given in Note 48.

## 37) Personnel expenses

These totalled Euro 44.101 million (Euro 61.023 million at 31 December 2015) and the breakdown was as follows:

(€'000)	2016	2015	Change
Salaries	29,441	37,315	(7,874)
Social Security payments	9,408	11,858	(2,450)
Redundancy incentives	2,208	6,634	(4,426)
Defined contribution plan charges	1,464	1,649	(185)
Directors' remuneration	1,460	1,578	(118)
Defined benefit plan charges	449	433	16
Seconded employees from subsidiaries	425	141	284
External and temporary employees	389	728	(339)
Other expenses	1,008	1,132	(124)
Uses of provisions	(2,151)	(445)	(1,706)
<b>Total</b>	<b>44,101</b>	<b>61,023</b>	<b>(16,922)</b>



Salaries, remuneration and related social security contributions decreased mainly due to the savings generated by the restructuring of the Parent Company that began at the end of 2015, as well as to lower redundancy incentives and lower costs for the variable component of remuneration.

The entry includes Euro 0.170 million (Euro 0.093 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 48.

The breakdown of the average number of employees (including those on fixed-term contracts) was as follows:

### Breakdown of personnel by category

	2016	2015	Change
Managers	38	44	(6)
Middle managers and white collar workers	745	783	(38)
<i>of which equity accounted companies:</i>			
<i>Managers</i>	3	2	1
<i>Middle managers and white collar workers</i>	59	64	(5)
<b>Total personnel</b>	<b>783</b>	<b>827</b>	<b>(44)</b>

### 38) Other operating expenses

These were Euro 4.222 million (Euro 5.705 million at 31 December 2015) and the breakdown was as follows:

(€'000)	2016	2015	Change
Doubtful receivables	2,153	2,446	(293)
Other taxes	1,996	2,748	(752)
Contributions and donations	490	487	3
Taxes other than income tax	454	458	(4)
Copyright royalties (SIAE)	283	384	(101)
Municipal tax on advertising	259	284	(25)
Gifts and promotional merchandise	75	205	(130)
Balancing item from closure of prior year exhibition accounts	62	209	(147)
Other expenses	617	712	(95)
Uses of provisions	(2,167)	(2,228)	61
<b>Total</b>	<b>4,222</b>	<b>5,705</b>	<b>(1,483)</b>

The decrease in other taxes was mainly due to lower local taxes for TARI [the part of local taxes relating to waste services] for the Rho exhibition site.

The entry includes Euro 0.746 million (Euro 0.896 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 48.



## 39) Other income

Other income was Euro 3.216 million (Euro 2.992 million at 31 December 2015) and the breakdown was as follows:

(€'000)	2016	2015	Change
Other recovered costs	1,334	671	663
Insurance indemnities	566	36	530
Office rent and expenses	460	1,477	(1,017)
Recovery of expenses for seconded employees	230	246	(16)
Capital gains on non-current assets	4	30	(26)
Other income	622	532	90
<b>Total</b>	<b>3,216</b>	<b>2,992</b>	<b>224</b>

The decrease in office rent and expenses was mainly attributable to the expiry of a contract the Parent Company had with the company Expo 2015 for the latter to rent certain areas of the site.

The increase in insurance indemnities reflected the payment of claims in the accounts of Fiera Milano Congressi SpA for structural damage to MiCo Nord.

The entry includes Euro 1.380 million (Euro 0.276 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 48.

## 40) Results of equity accounted associates and joint ventures

This item totalled Euro 1.259 million (Euro 2.828 million at 31 December 2015). Euro 2.289 million was for the investment in the joint venture with Deutsche Messe AG and a negative figure of Euro 1.030 million for that in Ipack Ima Srl.

## 41) Depreciation and amortisation

### Depreciation of property, plant and equipment

This was Euro 4.409 million (Euro 6.764 million at 31 December 2015).

Details of depreciation are given in the Notes to the Accounts under the entry for property, plant and equipment.

The item includes a negative figure of Euro 0.030 million (a negative figure of Euro 0.012 million at 31 December 2015) for use of part of the risk provisions for the depreciation of the Palazzo Italia.

The item includes depreciation of leased property, plant and machinery.

### Amortisation of intangible assets

This was Euro 3.989 million (Euro 5.541 million at 31 December 2015).

Details of amortisation are given in the Notes to the Accounts under the entry for intangible assets with a finite useful life.



## 42) Adjustments to asset values

These totalled Euro 12.771 million (Euro 9.657 million at 31 December 2015).

The breakdown is given in the following table:

(€'000)	2016	2015	Change
Write-downs of Property, Plant and Equipment	-	18	(18)
Impairment of goodwill on acquisitions	823	6,216	(5,393)
Impairment of exhibition trademarks and publications	11,948	3,423	8,525
<b>Total</b>	<b>12,771</b>	<b>9,657</b>	<b>3,114</b>

Comments on the adjustments to asset values may be found in Notes 7 and 8.

## 43) Provision for doubtful receivables and other provisions

These were Euro 5.477 million (Euro 8.179 million at 31 December 2015).

Changes in this entry are shown in the following table:

(€'000)	2016	2015	Change
Disputes with personnel	1,987	671	1,316
Losses on future exhibitions	1,564	-	1,564
Write-down of doubtful receivables	1,312	2,092	(780)
Palazzo Italia project	1,029	3,065	(2,036)
Other disputes	109	390	(281)
Provision for reorganisation of personnel	-	1,961	(1,961)
Write-back of provisions	(524)	-	(524)
<b>Total</b>	<b>5,477</b>	<b>8,179</b>	<b>(2,702)</b>

Further details on changes in provisions for risks and charges are given in Notes 13, 20 and 27.





#### 44) Financial income and similar

These totalled Euro 0.576 million (Euro 0.824 million at 31 December 2015) and the breakdown was as follows:

(€'000)	2016	2015	Change
Exchange rate gains	336	610	(274)
Interest income on bank deposits	113	38	75
Other financial income associates	32	-	32
Interest income from cautionary deposits related to the rent of the exhibition site	21	52	(31)
Interest income on receivables from the controlling shareholder	3	10	(7)
Other financial income	71	114	(43)
<b>Total</b>	<b>576</b>	<b>824</b>	<b>(248)</b>

This entry includes Euro 0.056 million (Euro 0.062 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 44.

#### 45) Financial expenses and similar

These totalled Euro 1.561 million (Euro 4.331 million at 31 December 2015) and the breakdown was as follows:

(€'000)	2016	2015	Change
Interest payable on bank accounts	1,116	2,143	(1,027)
Interest payable on the current account with the controlling shareholder Fondazione Fiera Milano	107	1,045	(938)
Exchange rate losses	117	849	(732)
Charges on discounting defined benefit plans	201	168	33
Other financial expenses	72	126	(54)
Uses of provisions	(52)	-	(52)
<b>Total</b>	<b>1,561</b>	<b>4,331</b>	<b>(2,770)</b>

The change mainly reflected lower financial expenses due to lower average current and non-current debt.

This entry includes Euro 0.107 million (Euro 1.045 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 48.



## 46) Income tax

Income taxes were Euro 5.305 million at 31 December 2016 (a positive figure of Euro 5.987 million at 31 December 2015) and was mainly due to the use of deferred tax assets.

The breakdown was as follows:

(€'000)	2016	2015	Change
Current income tax	(3,561)	3,091	(6,652)
Deferred income tax	(1,744)	2,896	(4,640)
<b>Total</b>	<b>(5,305)</b>	<b>5,987</b>	<b>(11,292)</b>

The breakdown of current taxes at 31 December 2016 was as follows:

(€'000)	2016	2015	Change
Current income tax (IRAP)	(252)	1,932	(2,184)
Other current income tax	462	1,542	(1,080)
Income from tax consolidation	(3,771)	(383)	(3,388)
<b>Total</b>	<b>(3,561)</b>	<b>3,091</b>	<b>(6,652)</b>

This entry includes a positive item of Euro 3.340 million (zero at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 48.

In the financial years 2007-2015, Fiera Milano SpA, acting as the consolidating entity, and all the Italian subsidiaries opted for the Italian national tax consolidation for payment of IRES.

Starting in 2016, Fiera Milano SpA and some of its Italian subsidiaries opted to adhere to the tax consolidation of Fondazione Fiera Milano acting as the consolidating entity. This decision is binding for the 2016, 2017 and 2018 financial years.

The positive item from the tax consolidation is the sum recognised by Fondazione Fiera Milano for the use of the IRES tax losses generated in the financial period under review that offset the IRES tax liability that was included in the tax consolidation.

The change in the deferred tax assets was mainly due to the use of deferred tax assets recognised in previous financial years to offset risk provisions, which became tax deductible at the time they were utilised.

The change in deferred tax liabilities was mainly due to the use of tax provisions made in previous financial periods for impairment charges to trademarks and for amortisation and depreciation that were used in the period under review.

Other current taxes included the costs under the tax consolidation and the current taxes of the foreign companies of the Group.



The changes are shown in the following table:

### Deferred income taxes

(€'000)	31.12.2015	Recognised in the Income Statement	Recognised in equity	Reclassification	Exchange rate effect	31.12.2016
<b>Deferred tax assets</b>						
Excess amortisation, depreciation and write-downs	893	577	-	-	-	1,469
Provisions for risks and charges	2,656	(577)	-	-	-	2,079
Doubtful receivables	2,083	(155)	-	-	-	1,928
Tax losses carried forward	10,463	205	-	-	-	10,668
Costs for share capital increase	229	-	(63)	-	-	166
Other temporary differences	1,931	(7)	128	-	30	2,082
<b>Total</b>	<b>18,255</b>	<b>44</b>	<b>65</b>	<b>-</b>	<b>30</b>	<b>18,394</b>
<b>Deferred tax liabilities</b>						
Goodwill amortisation and deferred taxes on acquisition of intangible assets	18,963	(1,608)	-	-	54	17,409
Other temporary differences	1,826	(91)	-	(1,136)	232	830
<b>Total</b>	<b>20,789</b>	<b>(1,700)</b>	<b>-</b>	<b>(1,136)</b>	<b>286</b>	<b>18,239</b>
Net deferred income taxes	2,534					(155)
<i>of which:</i>						
<i>Deferred tax assets</i>	<i>3,175</i>					<i>3,678</i>
<i>Deferred tax liabilities</i>	<i>5,709</i>					<i>3,523</i>

The breakdown of total theoretical deferred tax assets relating to tax losses carried forward from previous financial years and recognised in the accounts was:

- losses prior to the tax consolidation: Euro 10.573 million;
- losses outside of the tax consolidation: Euro 0.032 million;
- losses from foreign companies: Euro 0.063 million.

### Reconciliation of theoretical and effective corporation tax charge (IRES)

(€'000)	
Consolidated profit/(loss) before income tax	(23,979)
Percentage applicable for corporation income tax (IRES)	27.5%
<b>Theoretical IRES tax charge (corporation income tax)</b>	<b>(6,594)</b>
Difference between theoretical and effective tax charges:	
Exchange rate effect	130
Non-deductible write downs	917
Other	(62)
<b>Effective IRES tax charge</b>	<b>(5,610)</b>



## Reconciliation of theoretical and effective corporation tax charge (IRAP)

(€'000)	
Net operating result (EBIT)	(22,994)
Personnel expenses	44,101
Consolidated taxable base for purposes of IRAP	21,107
Statutory rate applicable for corporation income tax (IRAP)	3.9%
<b>Theoretical IRAP tax charge (corporation income tax)</b>	<b>823</b>
Difference between theoretical and effective tax charges:	
Tax wedge	(1,202)
Other	684
<b>Effective IRAP tax charge</b>	<b>305</b>

## NET RESULT OF THE GROUP

At 31 December 2016, the Group had a net loss of Euro 22.794 million, compared to a net profit of Euro 1.014 million at 31 December 2015.

### 47) Earnings/losses per share

For the financial year 2016, the losses per share were Euro 0.2611 compared to earnings per share of Euro 0.1062 in the financial year ended 31 December 2015; the figures were calculated by dividing the net result by the weighted average number of Fiera Milano SpA shares outstanding in the period.

The increase in the average number of shares reflects the Parent Company share capital increase held in December 2015.

	2016	2015
Profit/(loss) (€'000)	(18,584)	4,528
Average no. of shares in circulation ('000)	71,175	42,654
Basic earnings/(losses) per issued share (€)	(0.2611)	0.1062
Earnings/(losses) per fully diluted no. of shares (€)	(0.2611)	0.1062

The value used as the numerator to calculate basic earnings (losses) per share and fully diluted earnings (losses) per share was a loss of Euro 18.584 million at 31 December 2016 (net profit of Euro 4.528 million at 31 December 2015).



The weighted average number of ordinary shares used to calculate basic earnings (losses) per share and fully diluted earnings (losses) per share, with related reconciliation of the two figures if required, is shown in the following table:

('000)	2016	2015
Weighted average no. of shares used for calculation of EPS	71,175	42,654
+ Potential no. of shares issued without payment	-	-
Weighted average no. of shares used to calculate diluted EPS	71,175	42,654

In the financial period under review, no financial instruments were issued, including shares that could potentially be issued and that could dilute future basic earnings per share and there have been no transactions involving the ordinary shares or ordinary shares to be issued in the future since the end of the reporting period.

## 48) Related-party transactions

Transactions carried out by companies that are part of the Fiera Milano Group with other entities of the Group and with other related parties were done at market conditions.

As part of its corporate governance, Fiera Milano SpA has adopted *Principles of Conduct regarding Related-party Transactions* as described in the *Report on corporate governance and ownership structure*, which is part of the Board of Directors' Management Report in these Financial Statements.

The commercial relations between the companies of Fiera Milano Group concern the organisation and management of exhibitions and other events managed by the Group. Fiera Milano SpA provides administrative services to some subsidiaries in order to optimise the use of personnel and professional competences and also provides communication services to subsidiaries in order to ensure a uniform Group image.

All the Italian subsidiaries, as consolidated companies, have opted for the Italian tax consolidation method for payment of IRES tax for the mandatory period of three financial years.

The tax consolidation procedure gives Fiera Milano Group a definite economic and financial benefit, particularly in allowing the immediate use of the Group tax losses, generated in the financial years in which this option is available, to offset the profits of the consolidated companies. In this way it benefits from an immediate tax saving from the use of these losses.

The internal legal relations among companies participating in the tax consolidation are governed by a rule that provides, *inter alia*, for a uniform procedure for the proper fulfilment of the tax obligations and relevant responsibilities of participating companies.

In the Statement of Financial Position, the Statement of Comprehensive Income and the Statement of Cash Flows, the amounts for related-party positions or transactions, if material, are shown separately. Given the total amount of statement of financial position and income statement items, Fiera Milano Group has decided that Euro 2.000 million is the material threshold above which separate disclosure must be made in the Statement of Financial Position and Euro 1.000 million is that for separate disclosure in the Income Statement.

Detailed information on related-party transactions is given below and is divided between related-party transactions with the controlling shareholder Fondazione Fiera Milano and transactions with related parties that are not consolidated.



## Related-party transactions with the controlling shareholder Fondazione Fiera Milano

Recurring related-party transactions are summarised below.

### I. Real estate lease agreements with Fiera Milano SpA

As described below, on 31 March 2014 new lease agreements were signed for the exhibition sites of Rho and Milan. These contracts were effective from the second semester of 2014.

On 18 January 2003, Fiera Milano SpA signed a lease agreement with Fondazione Fiera Milano for the Rho exhibition site. The same agreement established the terms of the lease for the Milan City site, giving an effective date of 1 January 2006 in the contracts for both exhibition areas.

Initially cancellation of the contracts had to be notified eighteen months prior to the expiry of the contracts on 31 December 2014. On 31 March 2014, new rental agreements for the exhibition sites of Rho and Milan were signed. The new rental agreements are for nine years effective from 1 July 2014 (following the agreed early termination of the existing lease agreements due to expire on 31 December 2014) and are automatically renewable for a further nine years.

Under the rental agreement for the Rho exhibition site, compared to the previous agreement that was valid until 30 June 2014, the rent was reduced by Euro 2.000 million in the second semester of 2014 and by Euro 14.000 million for the full-year 2015 and for each subsequent year of the agreement. Therefore, the rent was Euro 24.400 million for the second semester of 2014 and Euro 38.800 million from 2015 and for each subsequent year of the agreement annually adjusted for 100% of the change in the ISTAT consumer price index. For 2015 alone, because of the presence of Expo 2015 and the positive impact on the exhibition business of Fiera Milano, the agreement stipulated that Fondazione Fiera Milano would be paid an additional rent.

For the Milan City exhibition site, the parties agreed to maintain the existing rent of Euro 2.850 million per annum, annually adjusted for 100% of the change in the ISTAT consumer price index.

As the transaction was a transaction of greater importance under Article 5 of the Regulation on Related-party Transactions and of Article 10.2 of the *Procedures for Transactions with Related-parties* adopted by the Company, it was carried out under the *Procedures for Transactions with Related-parties* and, on 21 March 2014, an Information Document for a related-party transaction of greater importance (“Information Document OPC”) was published.

To ensure that market conditions applied, the rental agreements were prepared by the parties also using valuations prepared for Fiera Milano SpA by an independent expert.

### II. Real estate lease agreement with Fiera Milano Congressi SpA

On 24 January 2000, Fondazione Fiera Milano signed a contract with Fiera Milano Congressi SpA, valid until 31 December 2012, relating to the availability of part of Pavilion 17 in the Milan City site.

On 15 March 2005, this contract was updated to reflect the expansion of the congress centre activities hosted in Pavilion 17 of the Milan City site. The new agreement between the controlling shareholder Fondazione Fiera Milano and Fiera Milano Congressi SpA was valid until 30 June 2011 and renewable until 30 June 2017. At the



first lease expiry date, the cancellation option, which expired on 30 June 2011, was not exercised. Under the new agreement, Fiera Milano Congressi SpA pays a fixed annual rent plus an additional variable component that is dependent on achieving a specified level of revenues.

The annual fixed rent for Pavilion 17 of the Milan City site is Euro 0.350 million (adjusted annually for movements in ISTAT) whilst the variable component of the rent is 5% of any revenues above a minimum of Euro 15.000 million of the subsidiary Fiera Milano Congressi SpA.

On 18 May 2009, Fondazione Fiera Milano signed a preliminary contract with Fiera Milano Congressi SpA for the use of Pavilions 5 and 6 in the Milan City site; this area was used to build the new congress centre that was inaugurated in May 2011 and which is integrated with the congress areas of Pavilion 17 and called MiCo – Milano Congressi. The final lease agreement for the area known as MiCo – Milano Congressi South Wing (the former pavilions 5 and 6) was agreed in 2012 and is effective for nine years with the initial period running from 1 May 2011. The contract is automatically renewable for a further nine years unless terminated by one of the parties. The annual fixed rent is Euro 3.000 million with a variable component of 5% of revenues realised by Fiera Milano Congressi SpA in the centre that exceed the revenue targets in its 2011–2014 industrial plan. The rent is adjusted annually by an amount equal to 100% of the change in the ISTAT index for the previous year. Under the contract there was a reduction in the full rent for the first four years of the contract. The rent for the first year was fixed at Euro 0.750 million with the rent rising annually by Euro 0.750 million in the following three years to reach the agreed full rent of Euro 3.000 million per annum. Since the full quota of the fixed rent has been reached, no variable component of rent has been payable for Pavilions 5 and 6 since 2015.

### III. Settlement of Group VAT

Taking advantage of the facility provided by Presidential Decree (DPR) 633/72, from 1 January 2002, Fiera Milano SpA chose to follow the procedures, managed by the controlling shareholder, Fondazione Fiera Milano, for settlement of Group VAT. This mechanism makes it easier to settle any tax obligations, without the Company incurring additional costs.

### IV. Group tax consolidation with the controlling shareholder Fondazione Fiera Milano

In the financial year 2004/2005, Fiera Milano SpA and several of its subsidiaries opted to participate in the tax consolidation of the controlling shareholder Fondazione Fiera Milano. Following the change in the accounting year-end of Fiera Milano SpA and all its subsidiaries, participation in this tax consolidation ceased. However there remain certain contractual obligations to Fondazione Fiera Milano which are referred to in the Notes to the Financial Statements.

In 2016, Fiera Milano SpA and some of the other Italian subsidiaries did not renew the option to participate in the tax consolidation of Fiera Milano SpA and opted instead to participate in the tax consolidation of Fondazione Fiera Milano acting as the consolidating entity. This option is binding for the 2016, 2017 and 2018 financial years.



The rule adopted under the tax consolidation of Fondazione Fiera Milano, provides that the tax losses of the consolidated companies, generated in each of the years that the option is valid, may be utilised to offset the taxes in the same financial year of the companies participating in the tax consolidation, after the tax losses of Fiera Milano SpA and the consolidating entity have been calculated; compensation for the tax losses of the companies consolidated are repaid for the amount of the effective benefit generated by the tax consolidation.

## V. Contract for supply of services

Fiera Milano SpA has an annual contract with Fondazione Fiera Milano for the reciprocal provision of services, which arise from or are necessary for the exercise of their respective activities. The contract is renewable annually unless cancelled by a written agreement between the parties.

The contract provides for the reciprocal supply of two kinds of services: i) services of a general nature, which fall within the range of activities of the entity providing them, supplied to the buyer on a continuous and systematic basis; ii) specific services, or services provided on request and relating to specific activities to be agreed from time to time between the buyer and the supplier, also on the basis of appropriate offers/estimates. The service supply contract is governed by market conditions.

## VI. Licence contracts for use of the Fiera Milano brand name

On 17 December 2001, Fondazione Fiera Milano, as owner of the “Fiera Milano” brand name granted Fiera Milano SpA an exclusive licence for the use of the said brand name in order to typify its own activities, also through its use on headed paper, on its commercial material, and to differentiate its headquarters and offices. The licence has been granted for Italy and all countries and locations where the brand name has been or will be registered or lodged.

The symbolic consideration paid by Fiera Milano SpA to Fondazione Fiera Milano was Euro 1.0. Fondazione Fiera Milano, having as its corporate objective the development of the exhibition sector, has maintained Fiera Milano as part of its name and did not include it in the business division “Exhibition Management Activity” contributed to the Parent Company in 2001, but with the expectation that Fiera Milano SpA would use the said brand name for an extended period of time and without incurring further costs for its use.

This licence is valid until 31 December 2017 with automatic renewal for a further fifteen years, unless cancelled by one of the parties.

## VII. Current account with Fiera Milano SpA

On 24 June 2016, effective from 1 July 2016, a new contract for the current account was agreed. The contract expired on 31 December 2016 and is automatically renewed each year unless one of the parties cancels by 30 September preceding the date of expiry.

Under the contract, the parties agreed to terminate the pre-existing contract for the current account which was done prior to its replacement by the new contract.

The parties settle receipts and payments under the contracts existing between them, in particular the rental payments for the exhibition sites and the services provided by each party to the other, and the account carries interest of 1-month Euribor plus a spread of 1.75% that may be periodically revised by the parties.





Credits for invoices issued by the parties will accrue interest sixty days from the end of the month in which the invoice is issued although the interest may not be collected and will remain unavailable until the current account is closed, except for invoices that are overdue by more than 180 days which are always payable immediately. Invoices for the rent of the exhibition sites are part of the agreement but carry interest and are payable under the specific terms of the rental contracts. The balance of any invoices that are overdue by at least 180 days, together with the balance of the invoices for the leasing contracts on the exhibition sites that are due under the terms of the relevant contracts represent the collectable balance.

Credits which are not due for repayment are not included in the current account.

The party for which the overdue credit or debit balance exceeds Euro 5 million has the right to request payment of the balance, or to pay the balance. Where a request for payment has been made, the amount of the payment must be settled within 15 working days of the date of the said request.

The current account is closed and all interest paid every quarter.

### Related-party transactions with joint ventures

On 20 April 2016, Hannover Milano Global Germany GmbH, a joint venture between Fiera Milano SpA and Deutsche Messe AG, approved the 2015 Financial Statements and also approved a dividend distribution of Euro 7.200 million. The amount attributable to Fiera Milano Group was Euro 2.939 million, which was received on 15 July 2016.

On 21 February 2016, Fiera Milano SpA and Ipack Ima Srl, a company in joint venture with UCIMA, signed a financing agreement for a maximum of Euro 3.000 million expiring on 21 February 2017, with automatic renewal, and carrying interest at 3-month Euribor plus a spread of 220 basis points. Under the agreement, Fiera Milano SpA paid Ipack Ima Srl Euro 1.00 million on 22 February 2016, Euro 1.200 million on 8 June 2016, Euro 0.100 million on 29 July 2016 and Euro 0.300 million on 19 October 2016.

### Transactions with other related parties

Transactions with other related parties are part of the normal management activity and are carried out at market conditions. Non-current financial payables refer to the ten-year loan given to MiCo DMC Srl by AIM Group International SpA, which expires on 6 May 2025 and carries interest at 3%. Further details of current financial payables are given in Notes 3 and 26.

Financial, capital and economic transactions with related-parties that are not consolidated are shown in the following table.

Information on the remuneration paid to the Administrative and Control Bodies, to the General Directors and to the Executives with strategic responsibilities in the financial year to 31 December 2016 is given in the table included in the section below on other information.



## Related party entries in the Statement of Financial Position and Income Statement in the financial year to 31 December 2016

(€'000)

	Trade and other non-current receivables	Trade and other receivables	Inventories	Current financial assets	Other non-current financial liabilities	Advances	Other current financial liabilities	Other current liabilities	Revenues from sales and services	Cost for materials	Cost of services	Cost of use of third-party assets	Personnel Expenses	Other operating expenses	Other income	Financial income and similar	Financial expenses and similar	Income tax	
<b>Controlling shareholder and other Group companies</b>																			
Fondazione Fiera Milano	11,862	8,168			1,627		3,169		57		1,338	45,889	105	746	1,195	24	107	(3,340)	
Sviluppo Sistema Fiera Srl Under liquidation											5								
<b>Companies under joint control</b>																			
Ipack Ima Srl		204	186	2,622		178	310		20	1	(1)	2	60		185	32			
<b>Other related parties</b>																			
Ecliser Srl			5				11				8		5						
Yilong Qi								850											
AIM Group International SpA					42			26											
<b>Total related parties transactions</b>	<b>11,862</b>	<b>8,372</b>	<b>191</b>	<b>2,622</b>	<b>42</b>	<b>178</b>	<b>3,490</b>	<b>3,490</b>	<b>77</b>	<b>1</b>	<b>1,350</b>	<b>45,891</b>	<b>170</b>	<b>746</b>	<b>1,380</b>	<b>56</b>	<b>107</b>	<b>(3,340)</b>	
<b>Total reported</b>	<b>12,473</b>	<b>52,227</b>	<b>5,480</b>	<b>2,622</b>	<b>42</b>	<b>40,239</b>	<b>16,513</b>	<b>221,041</b>	<b>221,041</b>	<b>2,281</b>	<b>121,423</b>	<b>49,837</b>	<b>44,101</b>	<b>4,222</b>	<b>3,216</b>	<b>576</b>	<b>1,561</b>	<b>(5,305)</b>	
<b>% Rel. party transactions/Total reported</b>	<b>95%</b>	<b>16%</b>	<b>3%</b>	<b>100%</b>	<b>100%</b>	<b>-</b>	<b>21%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1%</b>	<b>92%</b>	<b>-</b>	<b>18%</b>	<b>43%</b>	<b>10%</b>	<b>7%</b>	<b>63%</b>	



## Statement of related party cash flow

(€'000)	2016	2015
<b>Cash flow from operating activities</b>		
Revenues and income	1,457	759
Costs and expenses	(48,158)	(57,912)
Interest receivable	56	62
Interest payable	(107)	(1,045)
Income/(losses) from tax consolidation	3,340	–
Changes in trade and other receivables	(2,959)	1,718
Change in other current liabilities	(2,164)	1,704
<b>Total</b>	<b>(48,535)</b>	<b>(54,714)</b>
<b>Cash flow from investment activities</b>		
Investments in non-current activities		
– Tangible and intangible	–	–
– Other non-current assets	–	–
<b>Total</b>	<b>–</b>	<b>–</b>
<b>Cash flow from financing activities</b>		
Change in financial (assets)/liabilities	(17,153)	(6,688)
<b>Total</b>	<b>(17,153)</b>	<b>(6,688)</b>
<b>Cash Flow in the period</b>	<b>(65,688)</b>	<b>(61,402)</b>

	The table below shows cash flow from related party transactions:		
	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities
<b>FY to 31.12.16:</b>			
Total	(24,536)	(2,459)	(7,358)
Related party transactions	(48,535)	–	(17,153)
<b>FY to 31.12.15:</b>			
Total	46,501	(2,461)	(501)
Related party transactions	(54,714)	–	(6,688)

The financial accounts for related-party transactions at 31 December 2015 included the following non-recurring items:

- Euro 10.000 million of costs and expenses;
- a Euro 3.000 million change in other current liabilities.

### 49) Other information

Material non-recurring events and transactions

In the financial year under review there were no material non-recurring transactions or events.



## Transactions relating to atypical and/or unusual operations

In compliance with Consob Communication of 28 July 2006, it should be noted that no unusual and/or atypical operations were carried out in 2016 as defined in the aforementioned Communication.

### Administration orders

With an order issued on 23 June 2016 and deposited on 24 June 2016, the Milan – Prevention Court Independent Section in the persons of the judges Mr Fabio Roia, Ms Veronica Tallarida and Mr Ilario Pontani meeting in camera issued, under Article 34 of the Legislative Decree of 6 September 2011 no. 159 pertaining to the “anti-mafia laws and prevention measures, including new provisions covering anti-mafia documentation in accordance with Articles 1 and 2 of Legislative Decree of 13 August 2010 no. 136” an Administration order for NoloStand for a period of six months and appointed as authorised magistrates for the case Mr Fabio Roia and Ms Veronica Tallarida and, as Court-appointed Administrator, Mr Piero Antonio Capitini.

On 6 July 2016, the Milan Tax Squad notified NoloStand SpA of the aforementioned administration order. Under the law, the aim of the order is to protect the assets of NoloStand SpA from any potential infiltration and/or collusion.

Under the provisions of the administration order, the Court-appointed Administrator will ensure his/her presence in the company and maintain regular contact with the directors of the company, with management and with the head of internal audit, and monitor and approve any changes in personnel, issue authorisations for contract terminations and the stipulation of new contracts with suppliers, oversee payments to suppliers and verify the service supplied by contractors while requiring the Sole Director of the company to implement initiatives aimed at counteracting any potential infiltration.

With an order issued on 28 September 2016 and deposited on 11 October 2016, the Milan – Prevention Court Independent Section in the persons of the judges Mr Fabio Roia, Ms Veronica Tallarida and Mr Ilario Pontani meeting in camera issued, under Article 34 of the Legislative Decree 159/2011 an Administration order for Fiera Milano for a period of six months limited to the business area linked to NoloStand, since there was only evidence of business corruption in the sector delegated to the subsidiary and involving the exhibition stand-fitting business division.

The same order appointed:

- as case-specific authorised magistrates, Mr Fabio Roia and Ms Veronica Tallarida;
- as Court-appointed Administrator, Mr Piero Antonio Capitini;
- as the Company defence counsel, Mr Angelo Giarda and Mr Enrico Giarda.

Under the provisions of the administration order, the Court-appointed Administrator will be present in the company and maintain regular contact with the Directors of the Company, with management and with the head of internal audit, and monitor and approve any changes in personnel, issue authorisations for contract terminations and the stipulation of new contracts with suppliers, oversee payments to suppliers and verify the service supplied by contractors while supporting the Board of Directors of the Company to implement initiatives aimed at counteracting any potential infiltration.



The two administration orders were both for six months but were extendable for a further six months. At the hearing of 22 November 2016, the Milan Court ordered that the Administration orders for Fiera Milano SpA and Nolostand SpA be unified as the matters under both were closely connected. On 20 December 2016, having heard the Court-appointed Administrator, the Milan Court extended the administration order for Nolostand S.p.A. for a further six months. Therefore, the administration order for Nolostand SpA will expire on 6 July 2017 unless the Milan Court decrees otherwise.

Lastly, on 27 January 2017, the Court, without prejudice to the existing procedures under the administration order for Fiera Milano SpA, extended the order to all corporate activities regarding just the following areas/authorities:

- approval of operating procedures to safeguard the legality of administrative actions and the monitoring of actions taken by the Company to increase the efficacy of these legal safeguards;
- to approve, in particular as far as concerns the means and timing of contract renewals, the operating procedures for the procurement of goods and services;
- quantitative and qualitative upgrading of the internal audit structure and verification of the timely implementation of the upgrades;
- to monitor the efficacy and timeliness with which the measures are implemented by the Company, also through the use of external consultants, to ensure the legal safeguards for administrative actions during the period of the administration order;
- to revise the audit plan and supervise the related activity;
- to revise the corporate responsibility structure exclusively for procurement and compliance, including reviewing the necessary requirements of professionalism and introducing any eventual rules governing rotation/replacement;
- appointment and removal of the head of the compliance department, deciding the relative responsibilities also regarding checks on the reputations of suppliers of goods and services, and regarding the procedures governing whistleblowing.

The attribution of these further duties to the Court-appointed Administrator are intended to support the company administration but they also confirm that the administration and management of the Company remain the domain of the Board of Directors. Therefore, Fiera Milano SpA and its subsidiary Nolostand SpA, continue to operate normally carrying out their normal corporate activity under the control and oversight of the Court-appointed Administrator and, at the same time, the management body maintains unchanged the authority attributed it. Fiera Milano Group is collaborating fully with the Court-appointed Administrator in order to ensure business continuity. Following receipt of the aforementioned administration orders, the Parent Company and Nolostand SpA implemented a series of initiatives to break with the past and revise, enhance and introduce new rules to improve business management that are based on new work models and methodologies. Furthermore the employees of Fiera Milano and Nolostand mentioned in the investigation documents of the Milan Public Prosecutor have been suspended and/or dismissed.

Provisions of Euro 1.390 million were also made to the risk and costs provision in the Consolidated Financial Statements for the risks associated with the above matter; these are estimates of the probable liabilities linked to legal proceedings following on the measures taken. The Group has undertaken, with the support of leading consultancy firms, an intense activity aimed at strengthening the legal safeguards in the procurement department and has adopted a procedure (that includes reputational checks and checks on the corporate structures) for Group suppliers. More generally, the steps taken are to avoid any future episodes of business corruption/business manipulation. The events have provided an opportunity to improve the corporate procedures in order that this episode concludes with the Group in possession of a reference framework that is in line with current best practice. The main features of the projects underway are expected to be finalised within the timeframe of the administration orders.



From an operational viewpoint, although there has been some difficulties and delays caused by the organisational impact of replacing the suppliers that were behind the administration orders, the stand-fitting business has continued and the exhibitions have been held, which points to a positive future trend for the stand-fitting business division in the future.

As regards the legal proceedings against the representatives of the supplier, the Parent Company Fiera Milano SpA and Nolostand SpA requested that they be allowed to bring a civil action as the victims and injured parties against these persons. On 3 February 2017 all the accused were sentenced to the penalties imposed by the fair ruling of the court and to the payment of reparations for material and non-material damages arising from the civil action brought by Fiera Milano SpA and Nolostand SpA, to be settled by a separate civil judgement. Moreover, with reference to aforementioned preventative measures, at the current time no risks linked to the application of Legislative Decree 231/2001 have been found.

At present, on the basis of available information and an evaluation of the known risks carried out in preparing these Financial Statements and while recognising that elements of uncertainty exist given the ongoing administration orders and the reorganisation of procedures currently underway, it is not felt that the administration orders have a significant impact on the ongoing business of the Fiera Milano Group. However, it cannot be excluded that the progress of the investigation and further analysis of the events that gave rise to the administration order could affect the capital and financial situation of the Group in the future.

### Significant events after the end of the reporting period

With regard to the aforementioned administration order, the Parent Company Board of Directors has made strenuous efforts, both before and after the administration order was issued, to bring about a significant improvement in the corporate governance of the Company and to instigate numerous measures to ensure their optimum implementation.

Following the request of the Public Prosecutor that the administration order be extended to all areas of the Company, on 13 January 2017, the Board of Directors, having carefully considered only what was in the interests of the Company, decided that the best solution was to resign its responsibilities so that a new Board of Directors could be appointed from the date of the Shareholders' Meeting to approve the Financial Statement at 31 December 2016, which is scheduled for 21 April 2017. The Milan Court – Prevention Court Independent Section subsequently denied the request of the Public Prosecutor and stated that the administrative and management functions should remain the domain of the Board of Directors but, at the same time, it extended the powers already given to the Court-appointed Administrator to cover the legality and compliance safeguards of the entire Company.

The Board of Directors also felt that the Chief Executive Officer should resign his responsibilities. Mr Peraboni, on learning of the resignations of the Directors, also resigned. The Board of Directors then gave the authority for the ordinary management of the Company to the Chairperson in order to ensure the ongoing management of the business.

On 22 February 2017, the contract for the sale of the 75% shareholding in Worldex (China) Exhibition & Promotion Ltd was signed.

The sale price under the contract is Euro 2.750 million plus an eventual deferred amount of maximum Euro 1.000 million dependent on certain results being achieved in the three years 2017-2019, which is not recognised in the value at 31 December 2016 under IFRS 5. The sale of the shareholding in the subsidiary Worldex is in line with the strategy of repositioning the Group presence outside Italy and concentrating the foreign activities of the Group in the joint venture with its German partner Deutsche Messe.

On 28 March 2017, the Milan Court – Prevention Court Independent Section extended the administration order for the exhibition stand-fitting business division of the Company, due to expire on 11 April 2017, for a further six months; the first expiry date for the unified administration order is July 2017.



## Remuneration of the Administrative and Control Bodies, General Managers and Executives with strategic responsibilities

Executives with strategic responsibilities are those that have the power and responsibility, both direct and indirect, for the planning, management and control of the Group activities.

Since 1 May 2015, executives with strategic responsibilities have been identified as the Directors, the Statutory Auditors, and the Manager responsible for preparing the company accounts of the Parent Company.

The total remuneration for this category of Executives was Euro 1.805 million at 31 December 2016 (Euro 4.195 million at 31 December 2015) and the breakdown was as follows:

### Remuneration

(€'000)	2016		
	Directors	Statutory Auditors	Others
Short-term benefits	925	182	644
Post-employment benefits	17	-	37
Other non current benefits	-	-	-
Staff-leaving indemnities	-	-	-
Notional income from stock option plans	-	-	-
<b>Total</b>	<b>942</b>	<b>182</b>	<b>681</b>

(€'000)	2015		
	Directors	Statutory Auditors	Others
Short-term benefits	1,151	138	1,362
Post-employment benefits	7	-	76
Other non current benefits	-	-	-
Staff-leaving indemnities	1,461	-	-
Notional income from stock option plans	-	-	-
<b>Total</b>	<b>2,619</b>	<b>138</b>	<b>1,438</b>

At 31 December 2016, the residual amount payable to this category was Euro 0.175 million (Euro 0.136 million at 31 December 2015).



## Information under Article 149-*duodecies* of the Consob Listing Rules

The fees paid for the services provided by the independent audit firm in the 2016 financial year are shown in the following table.

(€'000)	Service provider	Client	Fees for financial year 2016
Auditing	EY SpA	Parent Company – Fiera Milano SpA	265
	EY SpA	Subsidiaries	149
Other services <sup>(*)</sup>	EY SpA	Parent Company – Fiera Milano SpA	58
Other services <sup>(**)</sup>	Network EY SpA	Parent Company – Fiera Milano SpA	20
Other services <sup>(*)</sup>	EY SpA	Subsidiaries	30
Other services <sup>(**)</sup>	Network EY SpA	Subsidiaries	10
<b>Total</b>			<b>532</b>

(\*) Agreed upon procedures.

(\*\*) Other professional services related to environment, health and safety.

Rho (Milan), 10 March 2017

On behalf of the Board of Directors

**The Chairperson**

Roberto Rettani





# ATTACHMENTS

## 1. List of companies included in the consolidation area and other investments at 31 December 2016

Company name and registered office	Main activity	Share capital (000)*	Shareholding %			Shareholding of Group companies	
			Group total	Directly held by Fiera Milano	Indirectly held through other Group companies	%	
<b>A) List of companies included in the area of consolidation</b>							
<b>Parent Company</b>							
<b>Fiera Milano SpA</b> Milan, p.le Carlo Magno 1	Organisation and hosting of exhibitions in Italy	42,445					
<b>Fully consolidated companies</b>							
<b>Fiera Milano Media SpA</b> Milan, p.le Carlo Magno 1	Media services	2,803	100	100		100	Fiera Milano SpA
<b>Fiera Milano Congressi SpA</b> Milan, p.le Carlo Magno 1	Management of congresses	2,000	100	100		100	Fiera Milano SpA
<b>MiCo DMC S.r.l.</b> Milan, p.le Carlo Magno 1	Management of congresses	10	51		51	51	Fiera Milano Congressi SpA
<b>La Fabbrica del Libro SpA</b> Milan, p.le Carlo Magno 1	Organisation of exhibitions in Italy	120	51	51		51	Fiera Milano SpA
<b>Nolostand SpA</b> Milan, p.le Carlo Magno 1	Stand fitting services	7,500	100	100		100	Fiera Milano SpA
<b>Ipack-Ima SpA</b> Rho, S.S. del Sempione km.28	Organisation of exhibitions in Italy	200	100	100		100	Fiera Milano SpA
<b>Eurofairs International Consultoria e Participações Ltda</b> São Paulo Brasil, na Avenida Angélica, nº 2350, Sala B, Consolação,	Organisation of exhibitions outside of Italy	R \$ 47,032	100	99.98	0.02	99.98	Fiera Milano SpA
						0.02	Nolostand SpA
<b>CIPA Fiera Milano Publicações e Eventos Ltda</b> São Paulo Brasil, Av. Angelica	Organisation of exhibitions outside of Italy	R \$ 7,003	100	1	99	99	Eurofairs International Consultoria e Participações Ltda
						1	Fiera Milano SpA
<b>Fiera Milano India Pvt Ltd</b> New Delhi, Barakhamba Road, Connaught Place	Organisation of exhibitions outside of Italy	INR 20,000	99.99	99.99		99.99	Fiera Milano SpA
<b>Limited Liability Company "Fiera Milano"</b> Moscow, 24 A/1 ul. B. Cherkizovskaya	Organisation of exhibitions outside of Italy	RUB 10,000	100	100		100	Fiera Milano SpA
<b>Fiera Milano Exhibitions Africa Pty Ltd</b> Cape Town, The Terraces, Steenberg Office Park, Tokai	Organisation of exhibitions outside of Italy	ZAR 0.3	100	100		100	Fiera Milano SpA
<b>Worldex Fiera Milano Exhibitions Co. Ltd</b> Guangzhou, 538 Dezheng Bei Road, Yuexiu District	Organisation of exhibitions outside of Italy	CNY 6,000	75	75		75	Fiera Milano SpA
<b>Haikou Worldex Milan Exhibitions Co. Ltd</b> Haikou, 12 Lantian Road West	Organisation of exhibitions outside of Italy	CNY 200	74.25		99	99	Worldex Ltd
<b>B) List of jointly controlled companies equity-accounted</b>							
<b>Hannover Milano Global Germany GmbH</b> Hannover Germany, Messeelaende	Organisation of exhibitions outside of Italy	25	49	49		49	Fiera Milano SpA
<b>Hannover Milano Fairs Shanghai Co. Ltd</b> Shanghai China, Pudong Office Tower	Organisation of exhibitions outside of Italy	USD 500	49		100	100	Hannover Milano Global Germany GmbH
<b>Hannover Milano Fairs China Ltd</b> Hong Kong China, Golden Gate Building	Organisation of exhibitions outside of Italy	HKD 10	49		100	100	Hannover Milano Global Germany GmbH
<b>Hannover Milano Fairs India Pvt Ltd</b> East Mumbai, Andheri	Organisation of exhibitions outside of Italy	INR 274,640	48.99		99.99	99.99	Hannover Milano Global Germany GmbH
<b>Global Fairs &amp; Media Private Ltd</b> New Delhi, Bahadur Shah Zafar Marg 9-10	Organisation of exhibitions outside of Italy	INR 207,523	24.5		50	50	Hannover Milano Fairs India Pvt Ltd
<b>Ipack Ima Srl</b> Rho, S.S. del Sempione km.28	Organisation of exhibitions in Italy	20	49		49	49	Ipack-Ima SpA
<b>C) List of companies accounted at cost</b>							
<b>Esperia SpA</b> Rose (Cosenza)	Other activities	1,403	2		2	2	Fiera Milano Media SpA

(\*) Euro or other currencies as specifically indicated.



## Declaration relating to the Financial Statements in accordance with Article 154-*bis*, paragraph 5 of Legislative Decree of 24 February 1998, no. 58

1. The undersigned, Roberto Rettani, as Chairperson, and Sebastiano Carbone, as Manager responsible for preparing the Financial Statements of Fiera Milano SpA, declare, having noted the provisions of article 154-*bis*, paragraphs 3 and 4, of Legislative Decree of 24 February 1998, no. 58:
  - the appropriateness in relation to the characteristics of the business and
  - the effective application of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements for the year to 31 December 2016.
  
2. In 2016, due to the administration orders, still ongoing, for the entire exhibition stand-fitting business division of the Parent Company Fiera Milano SpA and for the subsidiary Nolostand SpA, the actions of the Company have also focused on updating some corporate procedures, including those for procurement and the purchasing cycle. The evaluation process of the adequacy of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements at 31 December 2016 took account of these circumstances in identifying the periodic monitoring activities.
  
3. It is also declared that:
  - 3.1 the Consolidated Financial Statements at 31 December 2016:
    - have been prepared in accordance with the applicable international accounting standards recognised by the European Union in accordance with EC Regulation no. 1606/2002 of the European Parliament and of the European Council of 19 July 2002;
    - correspond to the results contained in the accounting records and documents;
    - provide a true and correct representation of the capital, economic and financial situation of the Issuer and of the entities included in the consolidation.
  - 3.2 the report on operations includes a reliable analysis of the trend and results of operations and the situation of the Issuer and of the entities included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

10 March 2017

Signed by

**The Chairperson**

Roberto Rettani

Signed by

**The Manager responsible for preparing the  
the Company's Financial Statements**

Sebastiano Carbone



# Report of the Board of Statutory Auditors for the Consolidated Financial Statements at 31 December 2016

Dear shareholders,

The 2016 Consolidated Financial Statements of Fiera Milano S.p.A. were communicated to us under the provisions of prevailing law, together with the Board of Directors' Management Report. They have been prepared in accordance with the International Financial Reporting Standards – IFRS – issued by the International Accounting Standards Board (IASB) and adopted by the European Union, and in accordance with the provisions of Article 9 of Legislative Decree no. 38/2005.

Under Legislative Decree of 27 January 2010 no. 39 and of Article 41, paragraph 2 of Legislative Decree of 9 April 1991 no. 127, the responsibility for verifying that the Consolidated Financial Statements conform to the law and correspond to the accounting and consolidation records lies with the independent Audit Firm. Our assessment was carried out in accordance with the code of conduct for Boards of Statutory Auditors issued by the *Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri* [National Councils of Chartered Accountants and Bookkeepers] and covered in particular:

- verifying the existence within the organisational structure of Fiera Milano S.p.A. of a department responsible for relations with subsidiaries and associate companies;
- examining the structure of the Group and the shareholdings in order to evaluate how the area of consolidation should be identified and how it had changed since the previous financial year;
- obtaining information on the activities of subsidiaries and on any significant economic, financial and capital transactions within the Group through information received from the Directors of Fiera Milano S.p.A., the independent Audit Firm, and from the Boards of Statutory Auditors of the subsidiaries of which some members of this Board are also members.

Following the assessment of the Consolidated Financial Statements, we declare that:

- the definition of the area of consolidation and the standards of consolidation used by those companies within this area conform to IFRSs;
- the requirements of law governing the preparation and methodology of the Financial Statements and the Board of Directors' Management Report have been met;
- we monitored the adequacy of the instructions given by the relevant departments of Fiera Milano S.p.A. to obtain the necessary data for the consolidation and reviewed the information supplied by the subsidiaries that are subject to the legal controls of their respective Boards of Statutory Auditors;
- the Statement of Financial Position is consistent with the facts and information that has come to the knowledge of the Board of Statutory Auditors in carrying out its monitoring responsibilities and using its control and inspection authority;
- the Supplementary and Explanatory Notes to the Consolidated Financial Statements give the information required by paragraph 134 of IAS 36 – Impairment of Assets, application of which was included in the Banca d'Italia/ CONSOB/ Isvap Document no. 4 of 3 March 2010. The Board of Statutory Auditors declares that it has examined the documents relating to the analyses and results of the impairment tests. The Board of Statutory Auditors believes that the procedure was correct and that the main valuation assumptions were reasonable and therefore agrees with the outcomes;
- the Board of Directors' Management Report is consistent with the figures and results in the Consolidated



Financial Statements and gives wide-ranging information on the Group financial and economic performance and on the risks to which the Group is exposed, as well as on any significant events that took place in the financial year under review and subsequent to the year-end date and on the likely business outlook;

- The Chairperson of the Board of Directors and the Manager responsible for preparing the Company accounts released the declaration required under Article 81-*ter* of CONSOB Regulation no. 11971/1999 and subsequent amendments and additions and under Article 154-*bis* of Legislative Decree 58/1998 (the Consolidated Finance Act).

On 30 March 2017, the independent Audit Firm released its report under Articles 14 and 16 of Legislative Decree 39/2010; the report confirms that the Consolidated Financial Statements at 31 December 2016 conform to the IFRSs and to the provisions of Article 9 of Legislative Decree no. 38/2005, and have been drawn up with clarity and give a true and fair view of the financial and capital situation, the income statement and the cash flows of the Fiera Milano Group for the financial year ended 31 December 2016.

Milan, 30 March 2017

#### **The Board of Statutory Auditors**

Ms Federica Palmira Nolli

Mr Antonio Guastoni

Mr Carmine Pallino



# Independent Auditors' Report



EY S.p.A.  
Via Meravigli, 12  
20123 Milano

Tel: +39 02 722121  
Fax: +39 02 722122037  
ey.com

Independent auditor's report  
in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010  
(Translation from the original Italian text)

To the Shareholders of Fiera Milano S.p.A

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Fiera Milano Group, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Directors' responsibility for the consolidated financial statements*

The Directors of Fiera Milano S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 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 misstatement.

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

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

#### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Fiera Milano Group as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

EY S.p.A.  
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*Emphasis of matter*

We draw attention:

- a) on point 4. "Other risks" of the Management Report and on note 49. "Other information - Administration orders and Significant events after the end of the reporting period" of the Explanatory and Supplementary Notes to the consolidated financial statements which describe the preventive measures notified by the Milan Tribunal to Nolostand S.p.A. and Fiera Milano S.p.A.;
- b) on note 48. "Related- party transactions" of the Explanatory and Supplementary Notes to the consolidated financial statements which describes the significant transactions carried out with related parties.

Our conclusion is not modified in respect of these matters.

Report on other legal and regulatory requirements

*Opinion on the consistency of the Management Report and of specific information of the Report on Corporate Governance and Ownership Structure with the consolidated financial statements*

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Management Report and of specific information of the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements. The Directors of Fiera Milano S.p.A. are responsible for the preparation of the Management Report and of the Report on Corporate Governance and Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Management Report and the specific information of the Report on Corporate Governance and the Ownership Structure are consistent with the consolidated financial statements of Fiera Milano Group as at 31 December 2016.

Milano, 30 March 2017

EY S.p.A.  
Signed by: Federico Lodrini, Partner

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





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# Financial Statements

## Fiera Milano SpA Statement of Financial Position

(Euro)			
Notes		31.12.2016	31.12.2015
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
3-44	Property, plant and equipment	3,677,920	4,139,144
	Leased property, plant and equipment	-	-
	Investments in non-core property	-	-
4	Goodwill and intangible assets with an indefinite useful life	70,144,099	70,144,099
5-44	Intangible assets with a finite useful life	10,070,125	13,079,442
6	Investments	57,827,948	73,350,722
	Other financial assets	-	-
7	Trade and other receivables	12,469,181	13,031,120
44	<i>of which from related parties</i>	11,861,629	12,125,107
8	Deferred tax assets	3,041,040	3,083,994
	<b>Total</b>	<b>157,230,313</b>	<b>176,828,521</b>
	<b>Current assets</b>		
9	Trade and other receivables	33,865,767	45,877,971
44	<i>of which from related parties</i>	10,289,341	10,595,546
10-44	Inventories	4,467,106	1,197,852
	Contracts in progress	-	-
11	Current financial assets	6,084,518	4,034,972
44	<i>of which from related parties</i>	6,084,518	4,034,972
12	Cash and cash equivalents	11,982,917	42,971,750
	<b>Total</b>	<b>56,400,308</b>	<b>94,082,545</b>
	<b>Assets held for sale</b>		
13	Assets held for sale	2,750,000	-
	<b>Total</b>	<b>2,750,000</b>	<b>-</b>
	<b>Total assets</b>	<b>216,380,621</b>	<b>270,911,066</b>
	<b>EQUITY AND LIABILITIES</b>		
14	<b>Equity</b>		
	Share capital	41,644,917	41,818,383
	Share premium reserve	35,667,706	65,679,470
	Revaluation reserve	-	-
	Other reserves	8,489,028	-
	Retained profits/(losses)	(154,269)	(19,712,226)
	Profit/(loss) for the year	(25,159,579)	(1,456,384)
	<b>Total</b>	<b>60,487,803</b>	<b>86,329,243</b>
	<b>Non-current liabilities</b>		
	Bonds in issue	-	-
15	Bank borrowings	14,108,114	10,922,456
16	Other financial liabilities	-	50,280
17	Provisions for risks and charges	1,998,103	2,951,986
18	Employee benefit provisions	5,003,497	5,792,339
	Deferred tax liabilities	-	-
	Other non-current liabilities	-	-
	<b>Total</b>	<b>21,109,714</b>	<b>19,717,061</b>
	<b>Current liabilities</b>		
	Bonds in issue	-	-
19	Bank borrowings	44,068,430	38,485,373
20	Trade-payables	19,839,126	26,184,964
21-44	Advances	34,669,952	31,544,918
22	Other financial liabilities	4,364,582	15,395,485
44	<i>of which to related parties</i>	4,314,049	15,224,542
23	Current provision for risks and charges	3,865,509	1,636,318
24	Current tax liabilities	904,991	4,022,317
25	Other current liabilities	27,070,514	47,595,387
44	<i>of which to related parties</i>	16,178,763	19,495,875
	<b>Total</b>	<b>134,783,104</b>	<b>164,864,762</b>
	<b>Liabilities held for sale</b>		
	Liabilities held for sale	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>
	<b>Total liabilities</b>	<b>216,380,621</b>	<b>270,911,066</b>



## Fiera Milano SpA Statement of Comprehensive Income

(Euro)		2016	2015
Notes			
29	Revenues from sales and services	173,421,414	277,307,280
44	of which with related parties	4,513,745	6,862,907
	<b>Total revenues</b>	<b>173,421,414</b>	<b>277,307,280</b>
30-44	Cost of materials	505,784	899,822
31	Cost of services	100,613,172	144,892,370
44	of which with related parties	33,122,787	48,515,696
32	Cost of use of third-party assets	43,551,434	54,945,417
44	of which with related parties	42,483,200	42,588,310
44	of which non-recurring with related parties	-	10,000,000
33-44	Personnel expenses	32,245,498	45,779,108
34	Other operating expenses	3,518,878	4,636,458
44	of which with related parties	973,518	1,132,360
	<b>Total operating expenses</b>	<b>180,434,766</b>	<b>251,153,175</b>
35	Other income	5,229,661	6,756,278
44	of which with related parties	3,985,416	4,431,645
	<b>Gross operating result</b>	<b>(1,783,691)</b>	<b>32,910,383</b>
36	Depreciation of property, plant and equipment	1,312,148	2,030,405
	Depreciation of property investments	-	-
36	Amortisation of intangible assets	2,721,043	4,242,743
37	Adjustments to asset values	3,332,862	1,953,000
38	Provision for doubtful receivables and other provisions	5,241,292	5,463,570
	<b>Net operating profit (EBIT)</b>	<b>(14,391,036)</b>	<b>19,220,665</b>
39	Financial income and similar	6,363,579	4,305,837
44	of which with related parties	6,288,250	4,227,295
40	Financial expenses and similar	1,190,596	3,297,016
44	of which with related parties	138,302	1,044,837
41	Valuation of financial assets	(19,520,867)	(16,033,039)
	<b>Profit/(loss) before tax</b>	<b>(28,738,920)</b>	<b>4,196,447</b>
42	Income tax	(3,579,341)	5,652,831
44	of which with related parties	(3,236,626)	(330,991)
	<b>Profit/(loss) from continuing operations</b>	<b>(25,159,579)</b>	<b>(1,456,384)</b>
	<b>Profit/(loss) from discontinued operations</b>	<b>-</b>	<b>-</b>
43	<b>Profit/(loss) for the year</b>	<b>(25,159,579)</b>	<b>(1,456,384)</b>
	<b>Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss</b>		
	Revaluation of defined benefit schemes	(202,985)	100,499
	Tax effects	(48,716)	27,637
	<b>Other comprehensive income/(loss) net of related tax effects</b>	<b>(154,269)</b>	<b>72,862</b>
	<b>Total comprehensive income/(loss) for the year</b>	<b>(25,313,848)</b>	<b>(1,383,522)</b>



## Fiera Milano SpA Statement of Cash Flows

<i>(Euro)</i>		2016	2015
Notes			
	<b>Net cash at beginning of year</b>	<b>42,971,750</b>	<b>3,563,919</b>
	<b>Cash flow from operating activities</b>		
12	Net cash from operating activities	(21,334,230)	47,868,324
44	of which with related parties	(62,299,887)	(83,009,750)
	Interest paid	(1,735,803)	(3,277,474)
	Interest received	460,004	250,647
	<b>Total</b>	<b>(22,610,029)</b>	<b>44,841,497</b>
	<b>Cash flow from investing activities</b>		
3	Investments in tangible assets	(881,168)	(1,364,131)
3	Write-downs of tangible assets	2,659	21,067
5	Investments in intangible assets	(2,374,587)	(1,008,405)
6	Acquisition of investments	(63,290)	(6,319,263)
6	Subsidiary company share capital transactions	(3,599,345)	(951,977)
39	Dividends received	6,006,359	3,972,383
	<b>Total</b>	<b>(909,372)</b>	<b>(5,650,326)</b>
	<b>Cash flow from financing activities</b>		
14	Share capital increase	(464,382)	65,685,259
15-16	Non-current financial assets/liabilities	3,135,378	(16,145,630)
11-19-22	Current financial assets/liabilities	(10,140,428)	(49,322,969)
44	of which with related parties	(12,960,039)	(7,768,899)
	<b>Total</b>	<b>(7,469,432)</b>	<b>216,660</b>
	<b>Cash flow for the period</b>	<b>(30,988,833)</b>	<b>39,407,831</b>
	<b>Net cash from assets held for sale</b>	-	-
	<b>Net cash at the end of year</b>	<b>11,982,917</b>	<b>42,971,750</b>

<i>(Euro)</i>		2016	2015
	<b>Cash generated from operating activities</b>		
	Result including non-operating activities	(25,159,579)	(1,456,384)
	Adjustments for:		
	Depreciation and Amortisation	4,033,191	6,273,148
	Provisions, write-downs and impairment	8,574,154	7,416,570
	Valuation of financial activities	19,520,867	16,033,039
	Capital gains and losses	(2,505)	(19,917)
	Net financial income/expenses	(5,172,983)	(1,008,766)
	Net change in employee provisions	(991,827)	(316,098)
	Changes in deferred taxes	28,460	3,455,291
	Inventories	(3,269,254)	3,268,474
	Trade and other receivables	11,098,651	(8,726,714)
	Trade payables	(7,015,838)	4,168,544
	Pre-payments	3,125,034	(3,298,424)
	Tax payables	(3,117,326)	2,907,477
	Provisions for risks and charges and other liabilities (excluding payables to Organisers)	(17,983,118)	16,871,798
	Payables to Organisers	(5,002,157)	2,300,286
	<b>Total</b>	<b>(21,334,230)</b>	<b>47,868,324</b>



## Fiera Milano SpA Statement of Changes in Equity

<i>(Euro)</i>							
Note 14	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained profits/(losses)	Profit/(loss) for the financial period	Total
<b>Balance at 31 December 2014</b>	<b>41,520,679</b>	<b>1,783,076</b>	<b>7,865,332</b>	<b>1,419,688</b>	<b>(179,063)</b>	<b>(30,674,121)</b>	<b>21,735,591</b>
Loss for the year covered by:							
- Legal reserve	-	-	(7,865,332)	-	-	7,865,332	-
- Share premium reserve	-	(1,783,076)	-	-	-	1,783,076	-
- Other reserves	-	-	-	(1,419,688)	-	1,419,688	-
- Retained profits/(losses)	-	-	-	-	(19,606,025)	19,606,025	-
Shareholders' Meeting approval 31.07.15 - share capital increase	297,704	66,536,826	-	-	-	-	66,834,530
Expenses related to the share capital increase	-	(857,356)	-	-	-	-	(857,356)
Remeasurement of defined benefit plans	-	-	-	-	72,862	-	72,862
Total comprehensive income/(loss) for the financial year at 31.12.15	-	-	-	-	-	(1,456,384)	(1,456,384)
<b>Balance at 31 December 2015</b>	<b>41,818,383</b>	<b>65,679,470</b>	<b>-</b>	<b>-</b>	<b>(19,712,226)</b>	<b>(1,456,384)</b>	<b>86,329,243</b>
Loss for the year covered by:							
- Legal reserve	-	(8,489,028)	8,489,028	-	-	-	-
- Share premium reserve	-	(21,168,610)	-	-	19,712,226	1,456,384	-
Treasury shares	(173,466)	(290,916)	-	-	-	-	(464,382)
Expenses related to the share capital increase	-	(63,210)	-	-	-	-	(63,210)
Remeasurement of defined benefit plans	-	-	-	-	(154,269)	-	(154,269)
Total comprehensive income/(loss) for the financial year at 31.12.16	-	-	-	-	-	(25,159,579)	(25,159,579)
<b>Balance at 31 December 2016</b>	<b>41,644,917</b>	<b>35,667,706</b>	<b>8,489,028</b>	<b>-</b>	<b>(154,269)</b>	<b>(25,159,579)</b>	<b>60,487,803</b>



# Explanatory and Supplementary Notes to the Financial Statements

On 10 March 2017, the Board of Directors approved the Fiera Milano SpA Financial Statements at 31 December 2016 and authorised their publication.

Fiera Milano SpA, as Parent Company of the Group, has also prepared the Consolidated Financial Statements at 31 December 2016.

Fiera Milano SpA and its subsidiaries are active in all the characteristic areas of the exhibition industry and the Company is one of the largest integrated companies in this sector worldwide.

The Company business consists of hosting exhibitions, fairs and other events, promoting and making available equipped exhibition spaces, as well as offering support for projects and related services. This includes the business of staging exhibitions (and providing final services to exhibitors and visitors).

The business of the Company has dual seasonality: (i) a higher concentration of exhibitions in the six months from January to June; (ii) exhibitions that have a multiannual frequency.

## 1) Accounting standards and criteria used to prepare the Financial Statements

### 1.1 Standards used to prepare the Financial Statements

The Financial Statements were prepared in accordance with IAS and IFRS accounting standards in force at 31 December 2016, issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and the relative interpretative documents and provisions of Article 9 of Legislative Decree no. 38/2005.

The accounting standards used to prepare the present Financial Statements are the same as those used to prepare the Financial Statements at 31 December 2015, except for those applicable from 1 January 2016 which are listed below.

Given the capital and financial position in the 2016 financial year, the financial forecasts in the budget and the 2017-2020 Industrial Plan, approved by the Board of Directors on 6 February 2017, the forecasts for working capital requirements and for the financial and capital position, the Financial Statements have been prepared on the principles of a going concern.

The Financial Statements are prepared in Euro and all figures are rounded to the nearest thousand Euro unless otherwise indicated. The Financial Statements give comparative data for the previous financial year.

In the 2016 financial year no atypical and/or unusual transactions took place.

The risks and uncertainties affecting the Company business are described in the Board of Directors' Management Report in the section on Risk factors affecting Fiera Milano Group, in Note 27, and in paragraph 1.5 on the Use of Estimates.

The present Financial Statements have been audited by the independent audit firm EY SpA.



## 1.2 New accounting standards, interpretations and amendments adopted

The Company has adopted for the first time some accounting standards and amendments that are applicable to financial periods beginning on or after 1 January 2016.

The content and effect of each new accounting standard and amendment is given below:

– Amendment to IAS 19 – *Defined Benefit Plans: Employee Contributions*.

IAS 19 requires an entity to account for contributions to defined benefit schemes from employees or third parties linked to service to be attributed as a cost to periods of service. The amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. If the amount of the contribution is independent of the number of years of service, contributions can, but are not required, to be recognised as a reduction in the service costs in the period in which the related service is rendered. This amendment is applicable to annual periods beginning on or after 1 February 2015. This amendment is not relevant for the Company as none of the entities that form the Company receive contributions from employees or third parties.

– Amendments to IAS 16 and 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation*.

The amendments provide additional guidance for IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Fixed Assets that a depreciation method based on revenue that is generated by an activity (that includes the use of an asset) reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part rather than the pattern of consumption of an asset's expected future economic benefits. As a result a depreciation method that is revenue-based may not be used for intangible assets except in limited circumstances when this presumption can be overcome. The amendments are effective for annual periods beginning on or after 1 January 2016. They have had no impact on the Company as the Company does not use revenue-based amortisation methods for non-current assets.

– Amendment to IFRS 11 – *Accounting for Acquisitions of Interests in Joint Operations*.

The amendment to IFRS 11 requires that the acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply all of the principles on business combinations accounting in IFRS 3 – Business Combinations. The amendment also makes it clear that any previously held interest in the joint operation would not be remeasured if the joint operator acquires an additional interest while retaining joint control. Furthermore, an exception has been added to IFRS 11 to clarify that the amendments do not apply when the parties who have joint control, including the reporting entity, are themselves both controlled by the same third party.

The amendments apply to the acquisition of both the initial interest and additional interests in a joint operation where joint control is maintained. The amendments apply prospectively to acquisitions in scope that occur on or after the effective date. These amendments had no impact on the Group as it made no acquisitions of interests in joint operations in the period under review.

– Amendments to IAS 16 and IAS 41 – Financial reporting for bearer plants.

– Amendments to IAS 27 – *Consolidated and Separate Financial Statements*.

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements. An entity that has already adopted IFRS and decides to change the accounting criteria in its separate financial statements to use the equity method must apply the change retrospectively. These amendments had no impact on the Financial Statements of the Company.



– Amendments to IAS 1 – *Disclosure Initiative*.

The amendments to IAS 1 – Presentation of Financial Statements clarify, rather than significantly change, the existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss, the statement of other comprehensive income and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to the financial statements;
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and of other comprehensive income. These amendments had no impact on the Financial Statements of the Company.

– IFRS – *Annual Improvements Cycle 2010-2012*.

The aim of the annual improvements, started in 2011, is to make necessary but non-urgent amendments to inconsistencies or where clarification in wording is required in IFRS; the proposed amendments are recommended to the IASB before they are issued. Some amendments are clarifications or corrections to IFRS (IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) others are changes to existing requirements or provide further information regarding their application (IFRS 2 and 3).

– IFRS – *Annual Improvements Cycle 2012-2014*.

This document amended IFRS 5, IFRS 7, IAS 19, and IAS 34 for matters requiring clarification.

The amendment to IAS 34 – Disclosure of information “elsewhere in the interim report” clarifies the requirement relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The aforementioned amendments to IAS/IFRS had no significant impact on the Financial Statements of the Company at 31 December 2016.

The following accounting standards were approved by the European Union during 2016 but are not applicable for the 2016 Financial Statements:

– IFRS 9 – *Financial Instruments*.

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments that replaces IAS 39 – Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together the three aspects of the IASB project: the classification and measurement, impairment, and hedge accounting of financial instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018; early application is permitted. With the exception of hedge accounting the standard must be applied retrospectively but grants an exception to restating comparatives for classification and measurement and impairment but not for hedge accounting. IFRS 9 requires prospective application of the hedge accounting requirements but specifies a limited number of exceptions.

The Company will adopt this standard from the date it is effective. During 2016, the Group carried out a preliminary analysis of all three aspects of IFRS 9. This preliminary analysis was based on the information available and could be subject to change following a more detailed analysis and if further information for the Company becomes available in the future. In principle, the Company does not expect any significant impact on its financial statements and equity from the introduction of IFRS 9.





– IFRS 15 – *Revenue from Contracts with Customers*.

IFRS 15, issued in May 2014, is a new five-step model for recognising revenue from contracts with customers. Under IFRS 15 an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The new standard will supersede virtually all of the revenue standards and interpretations in IFRS. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and requires retrospective application, either full retrospective adoption in which the standard is applied to all of the periods presented or a modified retrospective adoption. Early adoption is permitted.

The Company will apply the new standard from the effective date with full retrospective adoption. During 2016, the Company carried out a preliminary analysis of the possible effects of IFRS 15, which may be subject to changes following the more detailed analysis which is currently underway. Furthermore, the Company is considering the clarifications issued by the IASB in the Exposure Draft of July 2016 and will assess any further developments.

– IFRS 14 – *Regulatory Deferral Accounts* issued by the IASB has yet to be approved by the European Union.

### 1.3 Form and content of the Financial Statements

With regard to the form and content of the Financial Statements, Fiera Milano SpA has made the following choices:

- the Statement of Financial Position is presented with separate sections for Assets, Liabilities, and Equity. Assets and liabilities are also classified as current, non-current, and held for sale;
- the Statement of Comprehensive Income is shown as a single statement in a continuous format and items are analysed by nature since this approach provides reliable information that is more relevant than classification by function;
- the Statement of Cash Flows is presented using the indirect method;
- the Statement of Changes in Equity is presented with separate entries for comprehensive income and transactions with shareholders.

### 1.4 Area and principles of consolidation

#### **Business combinations**

Business combinations are accounted for by applying the purchase method in compliance with IFRS 3 revised in 2008. Under this method the transaction cost of a business combination is valued at fair value, determined as the aggregate of the fair value of the assets transferred and the liabilities assumed by the Company at the acquisition date and equity instruments issued for control of the acquired entity. All other costs associated with the transaction are expensed in the Statement of Comprehensive Income at their acquisition date value.

Contingent considerations, considered part of the acquisition consideration, must be measured at fair value at the time of the business combination. Subsequent changes to the fair value are recognised in the Statement of Comprehensive Income.

The identifiable assets acquired and the liabilities assumed are measured at fair value at the acquisition date.



Goodwill is measured as the difference between the aggregate of the acquisition-date fair value of the consideration transferred for the business combination, the amount of any non-controlling interest, the acquisition date fair value of any previously held equity interest in the acquiree, and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference between the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the consideration transferred for the business combination, the amount of any non-controlling interest and the acquisition-date fair value of any previously held equity interest in the acquiree, the excess sum is immediately recognised in the Statement of Comprehensive Income as income from the transaction.

In measuring the fair value of business combinations, the Company uses available information and, for more material business combinations, also uses the support of external valuations.

### *Business combinations achieved in stages*

When a business combination is achieved in stages the previously held share of the entity's assets and liabilities are measured at fair value at the date that control is obtained and any resulting adjustments are recognised in profit or loss. Previously held investments are therefore recognised as though they had been sold and reacquired at the date that control is obtained.

### *Business combinations under common control*

Business combinations under common control (the combining entities are controlled by the same party) are excluded from the scope of IFRS 3, which governs business combinations. In the absence of a standard that deals specifically with this type of transaction, the application of the most suitable treatment must be guided by the general scope of IAS 8, i.e. to provide information on the transaction that is relevant and reliable and gives priority to the economic *substance* and financial reality of the transaction and not merely its legal form. Under OPI 1 (Assirevi Preliminary Opinions on IFRS) on the "Accounting treatment of business combinations under common control in the separate and in the consolidated financial statements" the economic substance refers to the generation of value added which results in a significant change in cash inflows from the net assets transferred before and after the transaction. Should it be impossible to estimate a significant increase in future cash inflows from the assets transferred, the choice of how the transaction is accounted should be governed by prudence, which results in the application of the accounting principle of continuity. This principle entails the recognition in the financial statements of values equal to those that would have existed if the assets that are the object of the combination had always been combined. The net assets must be recognised at their carrying values in the relevant accounts prior to the transaction or, if available, at the values in the Consolidated Financial Statements of the controlling shareholder Fiera Milano SpA. Where the transfer values are higher than the historic values, the excess must be eliminated against the equity of the acquirer through the appropriate reduction of a reserve.



## Tangible fixed assets

### *Property, plant and equipment*

Property, plant and equipment are recognised at purchase or production cost, including contingent costs and costs incurred, and adjusted for accumulated depreciation.

Tangible assets are depreciated in each accounting period on a straight-line basis, using economic/technical rates determined by the residual life of the assets.

Routine maintenance costs are charged to profit or loss when they are incurred.

The replacement costs of identifiable components of complex assets are allocated to the assets and depreciated over their useful lives. The residual carrying amount of the component being replaced is charged to profit or loss.

Leasehold improvements are classified in property, plant and equipment based on the nature of the cost incurred; the depreciation period corresponds to the lesser of the residual useful life of the tangible asset and the residual period of the rental contract.

The depreciation rates applied are listed below:

– Office furniture and machinery	12.0%
– Exhibition furniture and equipment	27.0%
– Catering equipment	25.0%
– Sundry machinery and equipment	15.0%
– Site motor vehicles	20.0%
– Electronic equipment	20.0%
– Plant and machinery	10.0%
– Telecommunication systems	20.0%
– Alarm systems	30.0%
– Furnishings	12.0%

If there is any indication of impairment, the tangible assets are subjected to an impairment test as described in the section on impairment of assets.

## Intangible fixed assets

An intangible asset is recognised only if it is identifiable, is controlled by the entity, is expected to generate future economic benefits, and if its cost can be reliably measured.

### *Goodwill and intangible assets with an indefinite useful life*

Goodwill arising from business combinations is initially recognised at the cost on the acquisition date, as indicated in the paragraph above on Business Combinations, and, for purposes of the impairment test, allocated to a cash-generating unit or group of cash-generating units that benefit from the synergies generated by the acquisition which gave rise to the goodwill. After initial recognition in accounts, goodwill is measured



at cost less any impairment stemming from the impairment tests (see section on the Impairment of Assets). An intangible asset is considered to have an indefinite useful life when no limit can be foreseen to the period during which the asset can generate financial inflows for the Group. Intangible assets with an indefinite useful life, such as goodwill, are not subject to amortisation.

### *Intangible assets with a finite useful life*

Intangible assets with a finite useful life are measured at purchase or production cost, including any contingent costs, and systematically amortised on a straight-line basis over their estimated useful life. If there is any indication of impairment, the intangible assets are subjected to an impairment test as described in the section on the Impairment of Assets.

Industrial patents and rights for the use of intellectual property, licenses, and concessions are amortised over a period of three years from the year in which the cost is incurred.

Amortisation of the trademarks of exhibitions is based on a useful life of between ten and twenty years, estimated on the basis of the competitive dynamics of the industry and of a comparison with the methodology used by the leading Italian and foreign competitors.

Research costs are recognised at the time they are incurred. In compliance with IAS 38, development costs relating to specific projects, including the launch of new exhibitions, are capitalised when it is probable that the project will be completed and generate future economic benefits and when such costs can be reliably measured. The cost is amortised on a straight line basis over the period of the estimated future benefits of the project. The carrying value of costs is reviewed annually at the end of the reporting period or more often if there are any particular reasons for doing so, to analyse the fair value and ascertain any indication of impairment.

### *Impairment of assets*

Goodwill and other intangible assets with an indefinite life are tested for impairment at least annually at the end of the reporting period or more often if there are any indications that an asset has been impaired.

Tangible and intangible assets with a finite useful life that are depreciated or amortised are tested for impairment only when there is an indication of impairment.

The recoverable amount of the asset is the higher of its fair value less costs of disposal and its value in use. The fair value is the price that would be received from the sale of an asset in an orderly transaction between independent, informed, and willing parties, less the costs of disposal. In the absence of binding agreements, it is necessary to use the prices expressed by an active market, or the best information available taking into account factors such as recent transactions for similar assets completed in the same business segment. The value in use is the present value, discounted at the weighted average cost of capital of an entity with a similar risk profile and level of indebtedness, of the cash flows expected to arise from the asset (or from a group of assets – a cash generating unit) and from its sale at the end of its useful life.

If subsequently there is an indication that an impairment loss, other than goodwill, may have decreased or no longer exists, the carrying value of the asset is adjusted to the new estimate of the realisable value although this value may not exceed the value which would have been measured had there been no impairment. Reversal of impairment is recognised in profit or loss.



## Leased assets

There are two types of leases: finance leases and operating leases.

A lease is considered a finance lease when it transfers a significant and substantial part of the risks and rewards associated with the ownership of the asset to the lessee.

Given this, as determined by IAS 17 – *Leases*, a leasing contract is considered a finance lease when the following factors are separately or jointly present:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain the option will be exercised;
- the lease term covers most of the economic life of the asset even if title is not transferred;
- at the inception of the lease, the present value of minimum lease payments amounts substantially to the fair value of the leased asset;
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Assets available to Fiera Milano SpA under leasing contracts that can be considered finance leases are recognised as tangible or intangible assets at the lower of their acquisition value or the net current value of the minimum charges under the contract amortised over their estimated useful life; the corresponding liability to the lessor is recognised in equity as a current or non-current financial liability depending on whether the contract expires within or beyond twelve months.

Lease payments are subdivided into principal, which is taken against financial liabilities, and interest, which is recognised in profit or loss under financial expenses.

Charges for operating leases are recognised in profit or loss pro-rata temporis for the duration of the contract.

## Financial assets

In compliance with the requirements of IAS 39 and 32, financial assets are classified under the following four categories:

1. Financial assets at fair value through profit or loss;
2. Held-to-maturity (HTM) investments;
3. Loans and receivables;
4. Available-for-sale (AFS) financial assets.

Classification depends on the purpose for which assets are purchased and held. Management decides on their initial classification at the time of their initial recognition in the accounts, subsequently checking this classification at the end of each reporting period.

Financial assets are initially recognised at cost, which is equal to fair value plus contingent transaction costs. Subsequent measurement depends on the type of instrument concerned.

Financial assets at fair value shown in the Income Statement, which include held-for-trading (HFT) financial assets and financial assets designated as such at the time of initial recognition, are classified among current financial assets and measured at fair value, with the gains or losses stemming from this valuation recognised in profit or loss. Gains and losses from any changes in the fair value are recognised in profit or loss.



Held-to-maturity investments are classified under current financial assets if they mature in less than 12 months and among non-current financial assets if maturity exceeds that period, and are subsequently valued at amortised cost. The latter is calculated using the effective interest rate method, taking into account any purchase discounts or premiums and spreading them over the entire period up to maturity, less any impairment.

Loans and receivables are valued at amortised cost using the effective interest method. At the end of each reporting period, the Company measures the realisable value of these receivables taking account of estimated future cash payments or receipts through their expected life.

Available-for-sale financial assets are recognised as non-current assets, unless they are to be divested within twelve months of the end of the reporting period, and are measured at fair value. Losses or gains on available-for-sale financial assets are recognised in other comprehensive income and aggregated in a specific equity reserve until they are sold, recovered or otherwise derecognised. When there is an indication of impairment in an available-for-sale financial asset and there is objective evidence of this, the cumulative gain or loss that was recognised in other comprehensive income is reclassified from equity to profit or loss for the period as a reclassification adjustment even if the financial asset has not been eliminated.

### *Investments*

After initial recognition, equity investments in subsidiaries and associate companies are valued at cost less any loss of value stemming from impairment testing.

In compliance with the requirements of IAS 32 and IAS 39, investments in companies other than subsidiaries and associates are classified as available-for-sale and are measured at fair value except when fair value cannot be determined; in such cases, the cost method is used. Gains and losses stemming from adjustments of value are recognised in other comprehensive income, aggregated in a specific equity reserve. When there is an indication of impairment in an available-for-sale financial asset and there is objective evidence of this, the cumulative loss that was recognised in other comprehensive income is reclassified from equity to profit or loss for the period as a reclassification adjustment even if the financial asset has not been eliminated.

### **Inventories**

Inventories are valued at the lower of purchase or production cost, including contingent costs, calculated using the FIFO method, and the presumable net realisable value based on market trends. Inventory consists mainly of outstanding costs relating to activities in future financial periods.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, bank demand deposits and cash investments with an original maturity of not more than three months. The definition of cash and cash equivalents in the Statement of Cash Flows is the same as that of the Statement of Financial Position.



## Assets and liabilities held for sale

This category includes assets and liabilities (or assets and liabilities in a disposal group/discontinued operations) where the carrying value will be recovered primarily through a sale rather than through continued use. For this to happen, the following conditions must be met:

- the assets (or disposal groups) must be available for immediate sale in their present condition;
- the sale must be highly probable, i.e. the company must be committed to a programme for their disposal; activities to identify a buyer must have been initiated; and completion of the sale must be scheduled to take place within one year of the date of classification in this category.

Assets held for sale are measured at the lower of their net carrying value and their fair value less costs to sell. If an asset that is depreciated or amortised is reclassified to this category, the depreciation or amortisation process is discontinued at the time of reclassification.

In compliance with IFRS 5, data relating to discontinued operations are presented as follows:

- in two specific statement of financial position entries: held-for-sale assets and held-for-sale liabilities;
- in a specific income statement entry: net result for the period from discontinued operations.

## Equity

### *Treasury shares*

The par value of treasury shares is deducted from share capital and any amount in excess of par value is deducted from the share premium reserve.

Under IAS/IFRS regarding the acquisition of treasury shares, the nominal value of the shares is deducted from share capital while the difference between the nominal value and the acquisition value is taken against the share premium reserve. On the sale of treasury shares, the share capital and the share premium reserve are reconstituted by the same amounts that they were reduced when the shares were acquired while any profit/loss from the sale is recognised in equity with no impact on profit or loss. The shares taken as the reference for the calculation of profit/loss on disposal are selected using the FIFO method.

### *Costs for capital transactions*

Costs directly attributable to capital transactions are recognised as a direct reduction in equity.

## Trade payables, tax liabilities, pre-payments and other liabilities

Payables, advances and other liabilities are initially recognised at fair value. After that, they are measured at amortised cost. Payables are derecognised when underlying financial obligations have been discharged.



If they have a due date exceeding twelve months, liabilities are discounted to present value using an interest rate reflecting market assessments of the time value of money and specific risks connected with the liability concerned. Discounted interest is classified in financial expenses.

## Derivative instruments

A derivative or any other contract with the following characteristics is classified as a financial instrument and consequently fair-valued at the end of each accounting period: (i) its value changes in response to the change in an interest rate, the price of a financial instrument, a commodity price, a foreign-exchange rate, a price or rates index, creditworthiness, or another pre-established underlying variable; (ii) it requires no net initial investment or, if initial investment is required, one that is smaller than would be required for a contract from which a similar response to changes in market factors would be expected; (iii) it is settled at a future date. The effects of fair-value measurement are recognised in profit or loss as financial income/expense.

## Provisions for risks and charges

Provision is made for risks and charges when the Company must meet a present obligation (legal or constructive) stemming from a past event, the amount of which can be reliably estimated and for settlement of which an outflow of resources is probable. If expectations of resource outflow go beyond the next financial year, the obligation is recognised at its present value through discounting of future cash flows at a rate that also considers the time value of money and the liability's risk.

Risks for which manifestation of a liability is only possible, not probable, are shown in the paragraph, disclosure on guarantees given, undertakings and other contingent liabilities, and no provisions are made for these.

## Bank borrowings and other financial liabilities

Financial liabilities are initially recognised at cost as represented by the fair value of the funds received net of related costs incurred to receive the loan. After initial recognition, borrowings are measured according to amortised cost calculated using the effective interest rate. Amortised cost is calculated taking into account issuance costs and any discount or premium envisaged at the time of settlement.

## Employee benefits

Employee benefits paid out upon or after cessation of the employment relationship consist mainly of employee severance indemnities [*trattamento di fine rapporto or TFR*], which are governed by Article 2120 of the Italian Civil Code.

In compliance with IAS 19, employee severance indemnities are considered a defined benefit plan, i.e. a plan consisting of benefits provided after cessation of employment, which constitutes a future obligation for which the Company assumes actuarial risks and related investments. As required by IAS 19 *Revised*, the Company uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service costs.





This calculation requires the application of objective and mutually compatible actuarial assumptions concerning demographic variables (mortality rate, employee turnover) and financial variables (discount rate, future increases in salary levels). Fiera Milano SpA recognises changes in actuarial gains/losses in other items of comprehensive income.

From 1 January 2007, following social security reform, cumulative employee severance indemnities had to be allocated to pension funds or to the INPS treasury fund. Employees were given the option until 30 June 2007 to choose the destination of their severance indemnities.

In that regard, the allocation of accumulating employee severance indemnities to pension funds or to INPS means that a portion of these indemnities will be classified as a defined contribution plan in that the company's obligation is solely the payment of contributions either to the pension fund or to INPS. The liability related to past severance indemnities continues to be a defined benefit plan to be measured using actuarial assumptions.

Termination benefits not included in employee severance indemnities (TFR) are recognised as liabilities and employee expenses when the enterprise is demonstrably committed to terminate the employment of an employee or group of employees before the normal retirement date or provides termination benefits as a result of an offer made in order to encourage voluntary redundancy. The benefits owed to employees for termination of their employment do not give any future economic benefits to the enterprise and are therefore recognised immediately as a cost.

## Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the sale of goods or rendering of services will flow to the Company and the relevant amount can be reliably measured. Revenues are recognised at the fair value of the consideration received or receivable, taking into account any trade discounts and quantity-based reductions granted.

Revenue from the sale of goods is recognised when the entity has transferred a significant and substantial part of the risks and rewards associated with the ownership of the asset.

Revenues from the sale of services are recognised when the service is supplied. In compliance with the requirements of IAS 18 paragraph 25, revenues for the supply of services relating to exhibitions and congresses are recognised when the exhibitions and congresses actually take place, because it is during the actual exhibition/congress that most of the related costs are borne. When it is probable that the total costs of an exhibition will exceed its total revenues, the expected loss is recognised as a cost in a specific provision.

## Operating costs

Costs are recognised when they relate to goods and services sold or used in the financial year or on an accrual accounting basis when their future usefulness cannot be precisely identified.

Personnel expenses include both the fixed and variable remuneration of Directors.

Costs that are not eligible to be recognised in assets are recognised in profit or loss in the period in which they are incurred.

## Other income

This item has a residual nature and includes grants and subsidies.



## Financial income and expenses

Financial income and expenses are recognised in the accounts based on timing that considers the effective yield/expense of the asset/liability concerned.

## Income tax

Income taxes are recognised according to estimated taxable income in compliance with current tax rates and regulations. Income taxes are recognised in profit or loss, except for those relating to items recognised outside profit or loss, in which case the tax effect is recognised in equity.

Deferred taxes are measured according to the taxable temporary differences existing between the carrying amounts of assets and liabilities and their tax base and are classified among non-current assets and liabilities. Deferred tax assets are recognised to the extent that there is likely to be sufficient future taxable income against which the positive balance can be utilised. The carrying amount of deferred tax assets is subject to review at the end of each reporting period.

Deferred tax assets and liabilities are measured according to the tax rates that are expected to be applied in the period when the deferrals materialise, considering the tax rates in force or those that are scheduled to come into force subsequently.

Current and deferred tax assets and liabilities are offset only when they are levied by the same taxing authority and when there is a legal right to settle on a net basis.

Further information on the tax consolidation may be found in Note 42.

## Transactions in foreign currencies

Transactions in foreign currencies are recorded at the current exchange rate in force on the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate in force at the end of the reporting period. Foreign exchange differences generated by the extinction of monetary items or their translation at different exchange rates from those at which they were translated at the time of initial recognition in the period or in previous periods are recognised in profit or loss. Exchange rate differences are recognised in financial expenses and income.

## Dividends

Dividend income is recognised when the shareholders' right to receive payment has been established. This is normally the date of the Annual General Meeting that approves the dividend distribution.

### 1.5 Use of estimates

Preparation of financial statements and related notes using IFRS requires estimates and assumptions to be made that affect the amounts of assets and liabilities in the Statement of Financial Position and disclosures concerning potential assets and liabilities at the end of the reporting period. Actual results may differ from these estimates. Estimates are used to recognise provisions for doubtful accounts, depreciation and amortisation, employee benefits, taxes, and other provisions and reserves, as well as any adjustments to asset value.



Estimates and assumptions are reviewed regularly and the effects of any change are immediately recognised in profit or loss.

The most important estimates used in preparing the Financial Statements are given below as these involve a significant level of subjective opinion, assumptions and estimates:

- *Goodwill and of intangible assets with an indefinite useful life* are tested for impairment at least annually at the end of each reporting period; this test requires an estimate of the value in use of the cash generating unit to which the goodwill and intangible assets with an indefinite useful life have been allocated, which itself is based on an estimate of the cash flows the cash generating unit is expected to generate and discounting them to their net present value at an identified discount rate.
- *Intangible assets with a finite useful life* are tested for impairment when there are internal or external indications that an asset is impaired; this test requires an estimate of the value in use of the cash generating unit to which the asset belongs which itself is based on an estimate of the cash flows the cash generating unit is expected to generate and discounting them to their net present value using an appropriate discount rate.
- *Deferred tax assets* are carried against tax losses carried forward and other taxable temporary differences to the extent that it is probable there will be sufficient future taxable profits available to utilise the tax losses and other taxable temporary differences. Management must use its judgement in estimating the amount of deferred tax assets to be recognised. The Industrial Plan of the Company was used when calculating the amount of deferred tax assets to be recognised.
- *Provisions for risks and costs* are estimated using the best available information at the date of the Financial Statements under review and include estimates based on historic and future data regarding the likely outcome of legal disputes or events where the judgement of the risk profile and the calculation of the likely financial impact are uncertain and complex and could result in an adjustment to estimates.

Reference should be made to the specific paragraph in the notes to the Financial Statements for the use of estimates of financial risk. The valuation of the provision for risks uses the best information available at the end of the reporting period.

The industrial plans used to carry out the impairment tests are based on certain expectations and assumptions for future performance that by their very nature are subject to uncertainties. Therefore, given the current macroeconomic scenario, the results could differ from the forecasts.

The plan will be continually assessed by the Directors regarding the effective realisation of the initiatives and forecasts and the effects on the financial and economic performance of the Company.

## 2) Disclosure on discontinued operations

On 4 November 2016, the Board of Directors of the Company approved the sale of the 75% shareholding in the Chinese subsidiary Worldex Fiera Milano Exhibitions Co. Ltd and its subsidiary Haikou Worldex Milan Exhibitions Co. Ltd, together with the exhibition trademark Food Hospitality World China, to SingEx Exhibitions Pte Ltd.

The sale of the shareholding was signed on 22 February 2017.



This transaction is in line with the Group strategy of repositioning its presence outside Italy and concentrating its business in China in the joint venture with Deutsche Messe.

The transaction price comprises a fixed component of Euro 2.750 million and a variable component of maximum Euro 1.000 million. 50% of the fixed component is payable on finalisation of the transaction and the remaining 50% when the purchaser obtains the necessary business licence and it will be subject to a price adjustment exclusively in favour of Fiera Milano should the sum of the net cash and net working capital of Worldex exceed Euro 1.213 million at the closing date of the transaction. The variable component of the transaction price, payable in three deferred tranches of equal amounts, depends on the targets for the EBITDA of Worldex being reached in each of the three years 2017-2019.

The sale of the shareholding generated an impairment charge of Euro 5.128 million. The calculation considered only the fixed part of the transaction price as the variable parts are linked to future events and circumstances that are beyond the control of the Company.

The transaction is subject to resolute clauses including the issue of the necessary licences by the relevant Chinese authorities.

Under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, the value of the investment is recognised in assets and liabilities held for sale.



# Notes to the Financial Statements

## STATEMENT OF FINANCIAL POSITION

### ASSETS

#### NON-CURRENT ASSETS

#### 3) Property, plant and equipment

The breakdown and changes in the last two financial years were as follows:

(€'000)	Balance at 31.12.2014	Changes during the financial year						Balance at 31.12.2015
		Incr.	Decr.	Depr.	Impairment	Reclassification	Other changes	
<b>Plant and machinery</b>								
- historic cost	15,079	369	-	-	-	-	-	15,448
- depreciation	12,322	-	-	1,415	-	-	-	13,737
Net	2,757	369	-	1,415	-	-	-	1,711
<b>Industrial and commercial equipment</b>								
- historic cost	11,922	173	-	-	-	-	-	12,095
- depreciation	11,664	-	-	116	-	-	-	11,780
Net	258	173	-	116	-	-	-	315
<b>Other assets</b>								
- historic cost	26,591	822	228	-	-	-	-	27,185
- depreciation	24,787	-	227	512	-	-	-	25,072
Net	1,804	822	1	512	-	-	-	2,113
<b>Total property, plant and equipment</b>								
- historic cost	53,592	1,364	228	-	-	-	-	54,728
- depreciation	48,773	-	227	2,043	-	-	-	50,589
<b>Net</b>	<b>4,819</b>	<b>1,364</b>	<b>1</b>	<b>2,043</b>	-	-	-	<b>4,139</b>



(€'000)	Balance at 31.12.2015	Changes during the financial year						Balance at 31.12.2016
		Incr.	Decr.	Depr.	Impairment	Reclassification	Other changes	
<b>Plant and machinery</b>								
- historic cost	15,448	127	-	-	-	-	-	15,575
- depreciation	13,737	-	-	705	-	-	-	14,442
<b>Net</b>	<b>1,711</b>	<b>127</b>	<b>-</b>	<b>705</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,133</b>
<b>Industrial and commercial equipment</b>								
- historic cost	12,095	210	-	-	-	-	-	12,305
- depreciation	11,780	-	-	102	-	-	-	11,882
<b>Net</b>	<b>315</b>	<b>210</b>	<b>-</b>	<b>102</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>423</b>
<b>Other assets</b>								
- historic cost	27,185	544	-	-	-	-	-	27,729
- depreciation	25,072	-	-	535	-	-	-	25,607
<b>Net</b>	<b>2,113</b>	<b>544</b>	<b>-</b>	<b>535</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,122</b>
<b>Total property, plant and equipment</b>								
- historic cost	54,728	881	-	-	-	-	-	55,609
- depreciation	50,589	-	-	1,342	-	-	-	51,931
<b>Net</b>	<b>4,139</b>	<b>881</b>	<b>-</b>	<b>1,342</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,678</b>

The breakdown and changes in the financial year were as follows:

#### Plant and machinery

This entry was Euro 1.133 million, net of depreciation for the year of Euro 0.705 million, and was for electric and thermal plant and security and audiovisual systems.

The total increase of Euro 0.127 million was mainly for plant for the Rho exhibition site.

#### Industrial and commercial equipment

This was Euro 0.423 million, net of depreciation for the year of Euro 0.102 million, and was mainly for equipment and furnishings related to the exhibition business.

The total increase of Euro 0.210 million was for the purchase of furniture and equipment related to exhibition activities in the Rho exhibition site.



## Other assets

This entry was Euro 2.122 million, net of depreciation for the year of Euro 0.535 million, and was for electronic equipment, furniture and furnishing, and transport vehicles.

The total increase of Euro 0.544 million was made up of Euro 0.383 million for electronic equipment and furnishing accessories and of Euro 0.161 million for improvements made to assets belonging to Fondazione Fiera Milano, which were the responsibility of the Company under existing lease agreements.

Depreciation on improvements to third-party assets is calculated on the residual length of the lease contract for the property.

The entry for fixed assets, plant and equipment includes related-party transactions for Euro 0.103 million (Euro 0.002 at 31 December 2015). Further details on related-party transactions are given in Note 44.

## 4) Goodwill and intangible assets with an indefinite useful life

The amounts and changes in the last two financial years were as follows:

(€'000)	Balance at 31.12.2014	Changes during the financial year					Balance at 31.12.2015
		Incr.	Decr.	Impairment	Reclassification	Other changes	
<b>Goodwill</b>							
- historic cost	82,933	-	-	-	-	-	82,933
- depreciation	12,789	-	-	-	-	-	12,789
<b>Net</b>	<b>70,144</b>	-	-	-	-	-	<b>70,144</b>
<b>Total</b>							
- historic cost	82,933	-	-	-	-	-	82,933
- depreciation	12,789	-	-	-	-	-	12,789
<b>Net</b>	<b>70,144</b>	-	-	-	-	-	<b>70,144</b>

(€'000)	Balance at 31.12.2015	Changes during the financial year					Balance at 31.12.2016
		Incr.	Decr.	Impairment	Reclassification	Other changes	
<b>Goodwill</b>							
- historic cost	82,933	-	-	-	-	-	82,933
- depreciation	12,789	-	-	-	-	-	12,789
<b>Net</b>	<b>70,144</b>	-	-	-	-	-	<b>70,144</b>
<b>Total</b>							
- historic cost	82,933	-	-	-	-	-	82,933
- depreciation	12,789	-	-	-	-	-	12,789
<b>Net</b>	<b>70,144</b>	-	-	-	-	-	<b>70,144</b>



The amounts and changes in the different items in the last financial year were as follows:

## Goodwill

Goodwill totalled Euro 70.144 million.

Goodwill of Euro 29.841 million was initially recognised in the Statement of Financial Position following the contribution by Fondazione Fiera Milano of the exhibition entity on 17 December 2001. In the 2011 financial year, it increased by Euro 40.350 million due to the merger by incorporation of the 100% controlled company Rassegne SpA into its parent company Fiera Milano SpA and by a further Euro 0.080 million following the acquisition of the business division, Information Communication Technology, from the subsidiary Expopage SpA, now Fiera Milano Media SpA.

During the 2012 financial year it increased by Euro 0.021 million as a result of the merger by incorporation of the 100% owned company, TL.TI Expo SpA, into the Parent Company Fiera Milano SpA and decreased by Euro 0.148 million for the acquisition of the business division F&M Fiere & Mostre Srl in 2009 and by the adjustment to the final transaction consideration made as a result of the failure to reach the targets for the 2012 edition of the exhibition.

As described in Note 1 on the valuation criteria used to prepare the Financial Statements, goodwill is not amortised but is tested for impairment at the end of each reporting period or more often if there are any impairment losses. The methods used for the impairment tests in the 2016 financial period are described in the section Use of estimates.

The recoverable value of the cash generating units (CGUs) to which individual goodwill was attributed is verified by determining their value in use.

For Fiera Milano SpA, each individual exhibition is considered a cash-generating unit.

In order to avoid using arbitrary allocation criteria for the impairment tests, goodwill was allocated on the basis of appropriate groupings that reflect the strategic vision of the company, as well as how the goodwill was generated.

The goodwill allocations are as follows:

- the Directly Organised Exhibition cash generating unit: this comprises the cash generating units of the exhibitions directly organised by Fiera Milano SpA. The goodwill allocated to this group was Euro 40.223 million and was the goodwill generated on the acquisition of companies that organise exhibitions that were subsequently merged with Fiera Milano SpA through various merger transactions;
- the Exhibition cash generating unit group: this comprises the cash generating units of all the exhibitions of Fiera Milano SpA. The goodwill allocated to this group was Euro 29.921 million of which Euro 29.841 million was the goodwill arising from the contribution of the exhibition entity by Fondazione Fiera Milano to Fiera Milano SpA on 17 December 2001; Euro 0.080 million was goodwill deriving from the acquisition by the Company of the Information Communication Technology business division of its subsidiary Expopage SpA, now Fiera Milano Media SpA.

Discounted cash flow is used to assess impairment and is based on the 2017-2020 Industrial Plan approved by the Board of Directors.

Cash flow projections beyond the time horizons of the respective business plans are generally made using the average gross operating profit of the last two years of the plan and reconstructing a normalised cash flow without considering changes in working capital but including maintenance and replacement costs.





As described above, the terminal value was calculated as a perpetuity obtained by determining the net present value of the average net cash flows and discounting it using a WACC (Weighted Average Cost of Capital) of 5.30% whilst assuming a growth rate of 1.5% in line with the medium/long-term inflation estimates.

The WACC incorporates a cost of risk capital of 6.47%, a cost of debt of 2.36% and debt equal to 25% of invested capital (the average of peer companies). The single elements were arrived at using as far as possible publicly available sources. A rate net of taxes was used for cash flows net of taxes.

The cost of risk capital incorporates a risk-free rate of 1.46%, a market risk premium of 5.6% and a levered beta of 0.72, in line with the average for the sector. It also incorporates a specific risk coefficient to cover the execution risk of the forecast cash flows.

Sensitivity analyses were carried out by varying the WACC (+0.5%) and the forecast operating cash flows (-10%) with a positive result for both CGUs. Applying a WACC that was 0.5% higher at 5.8% for the sensitivity analysis on the Directly Organised Exhibition cash generating unit gave a recoverable value that was Euro 0.450 million lower than the accounting value.

## 5) Intangible assets with a finite useful life

The breakdown and changes in the last two financial years were as follows:

('000)	Balance at 31.12.2014	Changes during the financial year						Balance at 31.12.2015
		Incr.	Decr.	Amort.	Impairment	Reclassification	Other changes	
<b>Industrial patents and intellectual property rights</b>								
- historic cost	35,353	755	-	-	-	-	-	36,108
- amortisation	31,961	-	-	1,981	-	-	-	33,942
<b>Net</b>	<b>3,392</b>	<b>755</b>	<b>-</b>	<b>1,981</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,166</b>
<b>Concessions, licenses and similar rights</b>								
- historic cost	6,274	243	3,000	-	-	-	-	3,517
- amortisation	4,690	-	3,000	1,387	-	-	-	3,077
<b>Net</b>	<b>1,584</b>	<b>243</b>	<b>-</b>	<b>1,387</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>440</b>
<b>Trademarks</b>								
- historic cost	22,533	-	-	-	-	-	-	22,533
- amortisation	9,242	-	-	875	1,953	-	-	12,070
<b>Net</b>	<b>13,291</b>	<b>-</b>	<b>-</b>	<b>875</b>	<b>1,953</b>	<b>-</b>	<b>-</b>	<b>10,463</b>
<b>Intangible fixed assets under construction</b>								
- historic cost	-	10	-	-	-	-	-	10
- amortisation	-	-	-	-	-	-	-	-
<b>Net</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>
<b>Total intangible assets with a finite useful life</b>								
- historic cost	64,160	1,008	3,000	-	-	-	-	62,168
- amortisation	45,893	-	3,000	4,243	1,953	-	-	49,089
<b>Net</b>	<b>18,267</b>	<b>1,008</b>	<b>-</b>	<b>4,243</b>	<b>1,953</b>	<b>-</b>	<b>-</b>	<b>13,079</b>



('000)	Balance at 31.12.2015	Changes during the financial year						Balance at 31.12.2016
		Incr.	Decr.	Amort.	Impairment	Reclassification	Other changes	
<b>Industrial patents and intellectual property rights</b>								
– historic cost	36,108	957	–	–	–	10	–	37,075
– amortisation	33,942	–	–	1,516	–	–	–	35,458
Net	2,166	957	–	1,516	–	10	–	1,617
<b>Concessions, licenses and similar rights</b>								
– historic cost	3,517	161	–	–	–	–	–	3,678
– amortisation	3,077	–	–	285	–	–	–	3,362
Net	440	161	–	285	–	–	–	316
<b>Trademarks</b>								
– historic cost	22,533	1,910	–	–	–	–	–	24,443
– amortisation	12,070	–	–	920	3,333	–	–	16,323
Net	10,463	1,910	–	920	3,333	–	–	8,120
<b>Intangible fixed assets under construction</b>								
– historic cost	10	17	–	–	–	(10)	–	17
– amortisation	–	–	–	–	–	–	–	–
Net	10	17	–	–	–	(10)	–	17
<b>Total intangible assets with a finite useful life</b>								
– historic cost	62,168	3,045	–	–	–	–	–	65,213
– amortisation	49,089	–	–	2,721	3,333	–	–	55,143
<b>Net</b>	<b>13,079</b>	<b>3,045</b>	<b>–</b>	<b>2,721</b>	<b>3,333</b>	<b>–</b>	<b>–</b>	<b>10,070</b>

The breakdown and changes in the last two financial years were as follows:

### Industrial patents and intellectual property rights

These totalled Euro 1.617 million net of amortisation for the year of Euro 1.516 million. The total increase of Euro 0.967 million included Euro 0.054 million of capitalised costs for functional upgrades to the information management system and Euro 0.913 million for the implementation of other digital projects and the purchase of software.

Amortisation is calculated on the estimated useful life of the asset, which is three years for the information system, the management reporting system, and the other projects and software.

### Concessions, licences and similar rights

This entry was Euro 0.316 million net of amortisation for the year of Euro 0.285 million; the Euro 0.161 million increase was mainly for the purchase of software licences with rights of use for a limited period.

Time-limited software licences are amortised over a period of three years.



## Trademarks

This entry totalled Euro 8.120 million net of amortisation for the year of Euro 0.920 million and the breakdown was as follows:

– Host	Euro 1.968 million;
– Mipap Milano Prêt-à-Porter	Euro 1.850 million;
– Promotion Trade Exhibition	Euro 1.346 million;
– Fluidtrans Compomac	Euro 0.824 million;
– Transpotec & Logitec	Euro 0.511 million;
– NF Travel & Technology Event	Euro 0.490 million;
– Festivity	Euro 0.399 million;
– Bias	Euro 0.367 million;
– Miart	Euro 0.137 million;
– La Campionaria	Euro 0.117 million;
– BtoBio Expo	Euro 0.089 million;
– Tuttofood	Euro 0.012 million;
– Fruit&Veg Innovation	Euro 0.010 million.

The total increase of Euro 1.910 was mainly attributable to the acquisition of the following trademarks:

- Euro 1.400 million for the acquisition on 23 March 2016 of the trademark of the Promotion Trade Exhibition (PTE), an international exhibition for promotional items, business gifts and technologies for their personalisation. The Company has taken on the direct organisation of this exhibition, which was already hosted in its exhibition site but had previously been organised by a third-party. The exhibition will become part of the Lifestyle division and in the medium-term will be held alongside HOMI.
- Euro 0.500 million for the acquisition on 27 September 2016 of the trademark NF Travel & Technology Event, which in 2018 will be integrated into the proprietary exhibition BIT as part of a content development project structured around professional conferences and seminars. Its useful life has been brought in line with that of the BIT trademark.

For the trademarks and publications to which Fiera Milano has attributed a finite useful life, the internal and external sources of information indicated in paragraphs 12-14 of IAS 36 were used to assess if there were any indications of impairment.

The impairment tests showed impairment losses for the following trademarks:

- Euro 2.977 million for BIT due to the negative results expected for the 2017 edition and to the future estimates which do not foresee a return to profitability in the short-term. This gave rise to an impairment loss.
- Euro 0.356 million for Transpotec & Logitec due to the operating loss of the 2017 edition.

The exhibition trademarks are amortised over a useful life of between ten and twenty years. The calculation of the useful life of each trademark is made by determining its continuous presence on a given reference market, its competitive position and its operating profitability.



## Intangible fixed assets under construction

This item was Euro 0.017 million for analyses carried out on client communication management. As soon as it is completed, the value of the asset will be reclassified in fixed assets and it will start to be amortised.

Intangible assets with a finite life included related-party transactions of Euro 0.010 million (zero at 31 December 2015). Further details on related-party transactions are given in Note 44.

## 6) Investments

The breakdown and changes in this entry in the financial period under review were as follows:

('000)	% held 31.12.2016	Book value 31.12.2015	Changes during the financial year					Book value 31.12.2016
			Incr.	Decr.	Reclassification	Revaluations	Write-downs	
<b>Equity investments in subsidiaries companies</b>								
Fiera Milano Congressi SpA	100%	12,200	-	-	-	-	-	12,200
Fiera Milano Media SpA	100%	18,170	-	-	-	-	3,893	14,277
Ipac-Ima SpA	100%	6,825	-	-	-	-	-	6,825
La Fabbrica del Libro SpA	51%	-	61	-	-	-	-	61
Nolostand SpA	100%	13,390	-	-	-	-	-	13,390
Cipa Fiera Milano Publicações e Eventos Ltda	1.00%	-	2	-	-	-	-	2
Eurofairs International Consultoria e Participações Ltda	99.98%	536	2,893	-	-	-	3,429	-
Fiera Milano Exhibitions Africa Pty Ltd	100%	3,256	706	-	-	-	3,962	-
Fiera Milano India Pvt Ltd	99.99%	105	-	-	-	-	23	82
Worldex Fiera Milano Exhibitions Co., Ltd	75%	7,878	-	-	(2,750)	-	5,128	-
<b>Total</b>		<b>62,360</b>	<b>3,662</b>	<b>-</b>	<b>(2,750)</b>	<b>-</b>	<b>16,435</b>	<b>46,837</b>
<b>Equity investments in joint-ventures</b>								
Hannover Milano Global Germany GmbH	49%	10,990	-	-	-	-	-	10,990
<b>Total</b>		<b>10,990</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,990</b>
<b>Total equity investments</b>		<b>73,350</b>	<b>3,662</b>	<b>-</b>	<b>(2,750)</b>	<b>-</b>	<b>16,435</b>	<b>57,827</b>

The values of investments are shown net of any impairment losses.

The amount and changes in investments are described below.

- On 3 March 2016, Fiera Milano SpA acquired 1% of Cipa Fiera Milano Publicações e Eventos Ltda from Eurofairs International Consultoria e Participações Ltda for Euro 0.002 million.
- on 14 June 2016, to strengthen the share capital, Fiera Milano SpA approved the conversion of the credit deriving from a loan of Euro 2.983 million given to Eurofairs International Consultoria Participações Ltda into shares of the company.
- On 22 July 2016, Fiera Milano SpA waived the credit deriving from the loan of Euro 0.706 million given to Fiera Milano Exhibitions Africa Pty Ltd thereby strengthening the capital of the company.



- On 5 September 2016, as part of its strategy to strengthen its portfolio of directly organised exhibitions, Fiera Milano SpA and Ediser Srl, a service company belonging to the Associazione Italiana Editori (AIE), set up a company called La Fabbrica del Libro SpA.

Fiera Milano SpA paid Euro 0.061 million for 51% of the share capital while the remaining 49% was paid by Ediser Srl. The company has two different classes of shares; category A shares (ordinary shares) that belong to the majority shareholder Fiera Milano SpA and category B shares (preference shares) belonging to Ediser Srl. The maximum amount of losses in the first two financial years (2016/2017 and 2018) that can be attributed to the category B shares is 15% of the total losses.

This partnership will develop activities connected to book publishing, also through the organisation of fairs throughout Italy, to focus on all forms of publishing. The first event, Tempo di Libri, will be held in Milan from 19-23 April 2017.

- Euro 2.750 million was for the reclassification of the investment in Worldex Fiera Milano Exhibitions Co. Ltd to assets held for sale following the decision by the Board of Directors on 4 November 2016 to approve the sale of the 75% shareholding in the Chinese subsidiary. The sale of this shareholding generated an impairment charge of Euro 5.128 million.

At the end of the financial year under review, impairment tests were carried out on the investments and the following impairment losses taken: Euro 3.893 million for Fiera Milano Media SpA, Euro 3.429 million for Eurofairs International Consultoria e Participações Ltda, and Euro 3.962 million for Fiera Milano Exhibitions Africa Pty Ltd.

The investment in Fiera Milano India Pvt Ltd (a non-operative company) was adjusted to bring it in line with its net financial position and resulted in a write-down of Euro 0.023 million.

The impairment tests used discounted cash flows based on the industrial plans approved by the management of the companies. The reference time horizon was four financial years given the biennial timing of some of the important exhibitions. The estimated cash flows beyond the time period of the business plans were calculated by taking the average gross operating margin of the period covered by the plans and estimating a normalised cash flow with no changes in working capital but including maintenance or replacement expenditure.

The terminal value used was a perpetuity obtained by calculating the net present value of the average net cash flows of the last four years in the industrial plans, as described above, at a discount rate that differs for the different reference countries of the various investments. Zero growth in real terms was assumed but an estimate of the medium/long-term inflation rates in the specific geographic areas was used. Only the estimated growth of Fiera Milano Media SpA was not in line with the estimate for medium/long-term inflation and therefore appears as a negative factor in real terms.

The WACC (Weighted Average Cost of Capital) used was different for each investment depending on the: (i) different risk-free rate (the yield on a 10-year government bond in the jurisdiction of the investment); (ii) the specific risk coefficient to cover the execution risk of the forecast cash flows. The risk factors reflect the differences between historical data and estimated figures as well as future valuations of the business strategies; (iii) the different cost of debt due to the estimated rate of inflation in the jurisdiction of each investment.



A summary of the results is given below:

– Fiera Milano SpA	5.30%
– Fiera Milano Congressi SpA	5.67%
– Fiera Milano Media SpA	6.80%
– Ipack-Ima SpA	6.05%
– Nolostand SpA	6.80%
– Eurofairs International Consultoria e Participações Ltda	14.10%
– Fiera Milano Exhibitions Africa Pty Ltd	12.25%
– Hannover Milano Global Germany GmbH	5.74%

Sensitivity analyses were carried out by varying the WACC (+0.5%) and the forecast operating cash flows (–10%) with a positive outcome for all the investments that were not impaired.

The sensitivity analyses on the investments that were impaired gave the following results:

- Fiera Milano Media SpA: a 0.5% increase in the WACC reduced the recoverable value by Euro 1.236 million while a 0.5% decrease in the WACC increased the recoverable value by Euro 1.431 million. A 10% decrease in expected cash flows gave a decrease in the recoverable value of Euro 1.941 million.
- Eurofairs International Consultoria e Participações Ltda: a 0.5% increase in the WACC had no impact as the recoverable value was already zero with the WACC used for the impairment test. A reduction of 0.5% in the WACC also had no effect on the recoverable value.
- Fiera Milano Exhibitions Africa Pty Ltd: a 0.5% increase in the WACC had no effect as the recoverable value was already zero with the WACC used for the impairment test. A reduction of 0.5% in the WACC also had no effect on the recoverable value.

## 7) Trade and other receivables

These totalled Euro 12.469 million (Euro 13.031 million at 31 December 2015) of which Euro 10.890 million due beyond five years. The breakdown was as follows:

(€'000)	31.12.2016	31.12.2015	Change
Other receivables from the controlling shareholder	11,862	12,125	(263)
Other guarantee deposits	583	583	-
Other receivables	24	323	(299)
<b>Total</b>	<b>12,469</b>	<b>13,031</b>	<b>(562)</b>

The entry included:

- other receivables from the controlling shareholder of Euro 11.862 million (Euro 12.125 million at 31 December 2015). Euro 10.412 million was for the guarantee deposit under the lease agreements for the two exhibition sites of Rho and Milan City. This sum is equivalent to the combined quarterly rent on the two exhibition sites; the residual amount of Euro 1.450 million was the non-current part of the receivable arising from the right to repayment from Fondazione Fiera Milano of the guarantee deposit paid on the two previous lease agreements offset by the payable by Fiera Milano of the guarantee deposits for the new lease agreements. This receivable will be paid over the length of the contracts through a reduction in the amount payable by Fiera Milano SpA to Fondazione Fiera Milano for each six-monthly rental payment;



- other guarantee deposits totalling Euro 0.583 million (Euro 0.583 million at 31 December 2015). These referred almost totally to the guarantee deposit under the property lease agreement for the Palazzo Italia project in Berlin. The sum of Euro 0.498 million equates to the quarterly rent under the agreement;
- other receivables of Euro 0.024 million (Euro 0.323 million at 31 December 2015). These were receivables from the disposal of the Rich-Mac trademark to be paid in December 2019. The amount of the receivable was adjusted through a provision for doubtful receivables in order to adjust the accounting value to the estimated recoverable value.

Trade and other receivables included Euro 11.862 million (Euro 12.125 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 44.

## 8) Deferred tax assets

These were Euro 3.041 million (Euro 3.084 million at 31 December 2015) and were the net of deferred tax assets and deferred tax liabilities.

An analysis of the changes in deferred taxes is given in Note 42 to the Income Statement.

## CURRENT ASSETS

## 9) Trade and other receivables

(€'000)	31.12.2016	31.12.2015	Change
Receivables from clients	21,500	32,220	(10,720)
Trade receivables from subsidiaries	2,957	5,431	(2,474)
Trade receivables from associates	199	68	131
Receivables from the controlling shareholder for tax consolidation	2,897	-	2,897
Receivables from subsidiaries for tax consolidation	-	413	(413)
Other receivables	1,744	2,214	(470)
Other receivables from the controlling shareholder	518	414	104
Prepaid expenses	333	848	(515)
Prepaid expenses from the controlling shareholder	3,714	4,270	(556)
Prepaid expenses from subsidiaries	4	-	4
<b>Total</b>	<b>33,866</b>	<b>45,878</b>	<b>(12,012)</b>

These were Euro 33.866 million (Euro 45.878 million at 31 December 2015) and included the following items:

- trade receivables from clients of Euro 21.500 million (Euro 32.220 million at 31 December 2015) net of Euro 5.799 million of provisions for doubtful receivables. They comprised receivables from organisers and exhibitors for providing exhibition space and services for exhibitions. The decrease compared to the preceding financial year mainly reflected lower business volumes caused by the different exhibition calendar.



The sum for receivables was adjusted for the provision for doubtful receivables in order to bring the accounting value in line with the presumed recoverable value. The change in this provision in the financial year under review is shown in the table below:

(€'000)	31.12.2015	Provisions	Utilisation	31.12.2016
Provision for doubtful receivables	5,742	1,475	1,418	5,799

The provision was primarily for receivables that were deemed difficult to recover.

Use of the provision refers to receivables which, in the financial year under review, were found to be unrecoverable.

- Trade receivables from the controlling shareholder of Euro 2.957 million (Euro 5.431 million at 31 December 2015). These were trade receivables at market conditions.  
The services provided are part of the organisation and management of exhibitions and other events in the exhibition site.
- Receivables of Euro 2.897 million (zero at 31 December 2015) from the controlling shareholder for the tax consolidation and were the net balance of receivables and payables included in the tax consolidation.
- Other receivables of Euro 1.744 million (Euro 2.214 million at 31 December 2015). These included receivables for IRAP tax of Euro 0.445 million, receivables for IRES of Euro 0.104 million, advances to INAIL of Euro 0.134 million, other tax receivables of Euro 0.072 million, receivables from employees of Euro 0.187 million, receivables for tax credits on employee severance indemnities of Euro 0.292 million, advances to suppliers of Euro 0.410 million, and other current receivables of Euro 0.100 million.
- Accruals of Euro 0.333 million (Euro 0.848 million at 31 December 2015) for insurance premiums and other accruals and for costs incurred in the financial year but pertaining to the following financial year.
- Accruals from the controlling shareholder of Euro 3.714 million (Euro 4.270 million at 31 December 2015) that were mainly for the rent on the fieramilano exhibition site.

The entry for trade and other receivables included Euro 10.289 million (Euro 10.596 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 44.





## 10) Inventories

Inventories includes deferred costs of Euro 4.467 million (Euro 1.198 million at 31 December 2015) for exhibitions to be held after 31 December 2016.

(€'000)	31.12.2016	31.12.2015	Change
Tuttofood	1,781	346	1,435
Host	608	109	499
Bit	318	192	126
HOMI I semester	313	301	12
Fruit Innovation	237	-	237
Expodetergo	236	-	236
Transpotec & Logitec	204	2	202
Sicurezza	176	-	176
Promotion Trade Exhibition	162	-	162
Miart	155	201	(46)
HOMI II semester	-	3	(3)
Other	277	44	233
<b>Total</b>	<b>4,467</b>	<b>1,198</b>	<b>3,269</b>

The change in this entry mainly referred to costs incurred in the period under review for exhibitions that were not present in the previous financial year due to the different exhibition calendar but will be held in the next financial year.

The entry for inventories includes Euro 0.490 million (Euro 0.206 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 44.

## 11) Current financial assets

These were Euro 6.084 million (Euro 4.035 million at 31 December 2015) and the breakdown was as follows:

(€'000)	31.12.2016	31.12.2015	Change
Current financing to the Group	9,155	4,580	4,575
Provision for financing	3,071	545	2,526
<b>Total</b>	<b>6,084</b>	<b>4,035</b>	<b>2,049</b>

This entry included some financial receivables from subsidiaries that were done at market conditions:

- a Euro 3.212 million loan to the subsidiary Fiera Milano Media SpA. The interest payable is 3-month Euribor plus a spread of 220 basis points that was changed, effective from 1 October 2016, to a fixed rate of interest of 1.5%;
- a Euro 2.622 million loan to the joint venture Ipack Ima Srl. The interest payable is 3-month Euribor plus a spread of 220 basis points that was changed, effective from 1 October 2016, to a fixed rate of interest of 1.5%;



- a Euro 1.561 million loan to the subsidiary Eurofairs International Consultoria e Participações Ltda. The interest rate is 6%. At the end of the reporting period, the loan was adjusted by Euro 1.561 million through a bad debt provision to bring the nominal value of the loan in line with the estimated recoverable value;
- a Euro 1.510 million loan to the subsidiary Fiera Milano Exhibitions Africa Pty Ltd. The interest rate is 2%. At the end of the reporting period, the loan was adjusted by Euro 1.510 million through a bad debt provision to bring the nominal value of the loan in line with the estimated recoverable value;
- a Euro 0.250 million loan to the subsidiary La Fabbrica del Libro SpA. The interest rate is 1.50%.

This entire entry is a related-party transaction (Euro 4.035 million at 31 December 2015). Further details on related-party transactions are given in Note 44.

## 12) Cash and cash equivalents

These totalled Euro 11.983 million (Euro 42.972 million at 31 December 2015) and was almost entirely composed of short-term bank deposits.

(€'000)	31.12.2016	31.12.2015	Change
Bank and postal accounts	11,890	42,874	(30,984)
Cheques	85	95	(10)
Cash and cash equivalents	8	3	5
<b>Total</b>	<b>11,983</b>	<b>42,972</b>	<b>(30,989)</b>

The decrease was mainly due to the decrease in operating cash flows from net working capital. The figure for the previous financial year included the cash inflows from the share capital increase.

The financial flows with comparative data at 31 December 2015 are shown in the Statement of Cash Flows.

## 13) Assets held for sale

Assets held for sale were Euro 2.750 million (zero at 31 December 2015).

This was for the investment in Worldex Fiera Milano Exhibitions Co. Ltd, following the decision of the Board of Directors on 4 November 2016 to approve the sale of the 75% shareholding in this company. Further details on this transaction are provided in Note 2.



## EQUITY AND LIABILITIES

### 14) Equity

The breakdown of equity was as follows:

(€'000)	31.12.2016	31.12.2015	Change
Share capital	41,645	41,818	(173)
<i>of which treasury shares</i>	<i>(800)</i>	<i>(627)</i>	<i>(173)</i>
Share premium reserve	35,668	65,679	(30,011)
<i>of which treasury shares</i>	<i>(3,204)</i>	<i>(2,913)</i>	<i>(291)</i>
Legal reserve	8,489	-	8,489
Other reserves	-	-	-
Retained profits/(losses)	(154)	(19,712)	19,558
Profit/(loss) for the period	(25,160)	(1,456)	(23,704)
<b>Equity</b>	<b>60,488</b>	<b>86,329</b>	<b>(25,841)</b>

The amounts and changes compared to 31 December 2015 were as follows:

#### Share capital

At 31 December 2016, the share capital was Euro 41.645 million (Euro 41.818 million at 31 December 2015), net of Euro 0.800 million of treasury shares. The fully paid-up share capital was made up of 71,917,829 ordinary shares with no restrictions on dividend distribution and repayment of share capital, except as provided by law for treasury shares.

The breakdown of the shares in issue is shown in the following table:

	Number of shares at 31 December 2015	Change			Number of shares at 31 December 2016
		Capital increase	Purchase	Sale	
Ordinary shares in issue	71,917,829	-	-	-	71,917,829
Treasury shares	626,758	-	294,010	-	920,768
Total shares outstanding	71,291,071				70,997,061

In accordance with IAS/IFRS, the nominal value of treasury shares acquired in previous years was carried directly to equity whilst the difference between the nominal value and the acquisition price of treasury shares was taken to the share premium reserve.

The Extraordinary Shareholders' Meeting of 31 July 2015, at the same time as approving the share capital increase, also approved the cancellation of the nominal value of the shares that comprise the share capital. Therefore, since that date the nominal value is calculated by dividing the share capital by the number of shares outstanding. At 31 December 2016, this gave an implicit nominal value of Euro 0.59 per share.



On 24 June 2016, the Company announced a buyback of shares under the authority given it by the Ordinary Shareholders' Meeting of 28 April 2016. The aim of Fiera Milano SpA was to increase the number of treasury shares held to support the 2017-2023 Stock Option Plan, as well as to stabilise movements in the share price. At 31 December 2016, it had bought back 294,010 treasury shares at an average price of Euro 1.58 per share for a total value of Euro 0.464 million. At 31 December 2016, the Company held 920,768 treasury shares, equal to 1.28% of the share capital.

### Share premium reserve

The share premium reserve was Euro 35.668 million (Euro 65.679 million at 31 December 2015) net of Euro 3.204 million of treasury shares.

Movements in the period under review were as follows:

- a Euro 29.657 million decrease following the approval of the Shareholders' Meeting of 28 April 2016 to use the share premium reserve to cover the Euro 21.168 million of losses carried forward and Euro 8.489 million to rebuild the legal reserve;
- a Euro 0.291 million decrease from the buyback of shares;
- a Euro 0.063 million decrease in pre-paid taxes and for the amount deducted for the costs associated with share capital increase, which in the previous year were taken against equity, net of the tax effect as required by IAS 32.

### Legal reserve

This entry was Euro 8.489 million (zero at 31 December 2015). The increase followed the approval of the Parent Company Shareholders' Meeting of 28 April 2016 to rebuild the legal reserve under Article 2430, paragraph 2, by using the share premium reserve.

### Retained profits/losses

The retained losses were Euro 0.154 million (retained losses of Euro 19.712 million at 31 December 2015). Euro 19.712 of this improvement followed the approval given at the Shareholders' Meeting of 28 April to cover the losses carried forward by using the share premium reserve but there was also a Euro 0.154 million decrease for the remeasurement of the defined benefit plans net of the tax effect.

### Net result for the period

The net loss for the financial year at 31 December 2016 was Euro 25.160 million. The net loss in the previous financial year was Euro 1.456 million.

The table below gives a breakdown of share capital and reserves and shows the possible uses and amounts available for distribution for each component, as well as any use made in previous financial years.



## Equity available and equity available for distribution

(€'000)	Balance	Possible uses	Amount available	Summary of uses	
				to cover losses	for other reasons
<b>Share capital</b>	41,645				
<i>of which treasury shares</i>	800				
<b>Capital reserves:</b>					
Share-premium reserve	35,668	A,B,C	35,668	44,104	
Legal reserve	8,489	-	-	5,212	
Other reserves	-	-	-	895	
<b>Reserves for earnings:</b>					
Legal reserve	-	-	-	2,653	
Other reserves	-	-	-	525	
Retained profits/(losses)	(154)	-	-		
Profit (loss) for period	(25,160)	-	-		
<b>Total</b>	<b>60,488</b>		<b>35,668</b>	<b>53,389</b>	
Amount unavailable for distribution			-		
(share-premium reserve)					
<b>Remainder available for distribution</b>			<b>35,668</b>		

Key

A: for capital increase

B: to cover losses

C: for distribution to shareholders

## LIABILITIES

### NON-CURRENT LIABILITIES

#### 15) Bank borrowings

Bank borrowings totalled Euro 14.108 million (Euro 10.922 million at 31 December 2015):

(€'000)	31.12.2016	31.12.2015	Change
Bank borrowings	14,108	10,922	3,186
<b>Total</b>	<b>14,108</b>	<b>10,922</b>	<b>3,186</b>

Non-current payables to banks were:

- Euro 2.201 million (Euro 6.601 million at 31 December 2015) for the non-current portion of the Euro 20.000 million financing granted by Banca Popolare di Milano SpA on 6 December 2013 and repayable in six-monthly instalments in arrears from 30 June 2014 until 30 June 2018 with interest at 3-month Euribor plus a spread of 2.0%;



- Euro 2.886 million (zero at 31 December 2015) for the non-current portion of the Euro 10.000 million financing granted by Banca Popolare di Bergamo on 23 May 2016, and repayable in quarterly instalments in arrears from 23 August 2016 until 23 May 2018 with interest at 3-month Euribor plus a spread of 1.85%;
- Euro 3.774 million (zero at 31 December 2015) for the non-current portion of the Euro 15.000 million financing given by Banca Popolare di Lodi on 25 May 2016 and repayable in quarterly instalments in arrears from 30 June 2016 until 30 June 2018 with interest at 3-month Euribor plus a spread of 1.50%;
- Euro 1.505 million (zero at 31 December 2015) for the non-current portion of the Euro 3.000 million financing given by Cassa di Risparmio di Parma e Piacenza SpA on 27 May 2016 and repayable in quarterly instalments in arrears from 27 August 2016 until 27 May 2019 with interest at 3-month Euribor plus a spread of 1.50%;
- Euro 1.258 million (zero at 31 December 2015) for the non-current portion of the Euro 5.000 million financing given by Banca Popolare di Lodi on 22 June 2016 and repayable in quarterly instalments in arrears from 30 June 2016 until 30 June 2018 with interest at 3-month Euribor plus a spread of 1.50%;
- Euro 2.484 million (zero at 31 December 2015) for the non-current portion of the Euro 5.000 million financing given by Banca Nazionale del Lavoro SpA on 22 December 2016 and repayable in monthly instalments in arrears from 22 January 2017 until 22 December 2018 with interest at 1-month Euribor plus a spread of 1.50%.

The change compared to the previous financial year was due to new non-current loans taken out and to the early repayment (Euro 4.321 million at 31 December 2015) of the Euro 20.000 million financing given by Banca Popolare di Bergamo SpA on 21 December 2012.

The loan received on 6 December 2013 is governed by financial covenants governing the maximum level for the net debt/ equity ratio. This is measured annually and, when measured at 31 December 2016, had not exceeded the maximum levels under the covenants. Further details of this loan are given in Note 27.2.

The loan received on 27 May 2016 is subject to commercial covenants. For the duration of the loan, the Company has agreed to channel receivables and payables for a specific amount through current accounts opened with the Cassa di Risparmio di Parma e Piacenza SpA.

The commercial covenants agreed as part of the credit line with the bank that gave the loan on 22 December 2016 were met.

## 16) Other financial liabilities

These were zero (Euro 0.050 million at 2015):

(€'000)	31.12.2016	31.12.2015	Change
Finance leases	-	50	(50)
<b>Total</b>	<b>-</b>	<b>50</b>	<b>(50)</b>



The change compared to the previous financial year was for the reclassification of the non-current part of a finance lease that gave the right to use the Festvity trademark to other current financial liabilities.

## 17) Provision for risks and charges

(€'000)	31.12.2015	Provisions	Utilisation	Reclassification	31.12.2016
"Palazzo Italia" Berlin project	2,057	-	-	(938)	1,119
Supplementary indemnity reserve for customers	5	-	5	-	-
Other provisions for risks and charges	890	-	11	-	879
<b>Total</b>	<b>2,952</b>	<b>-</b>	<b>16</b>	<b>(938)</b>	<b>1,998</b>

Provisions for risks and charges totalled Euro 1.998 million (Euro 2.952 million at 31 December 2015) and were as follows:

- Euro 1.119 million (Euro 2.057 million at 31 December 2015) for the non-current part of the provision for the Palazzo Italia project in Berlin. The current portion of the provision, Euro 1.473 million, was classified under current provisions for risks and charges. At 31 December 2016, the total provision for this risk was Euro 2.592 million. At 31 December 2015 the total provision for this risk was Euro 3.302 million but Euro 1.739 million of the provision was used in the financial year under review and it was increased by Euro 1.029 million following a reworking of the forecasts for the use of the property;
- Euro 0.879 million (Euro 0.890 million at 31 December 2015) for other risks for potential payments on the outcome of legal disputes with suppliers and calculated on their probable outcome using internal evaluations and those of external legal consultants.

## 18) Employee benefit provisions

These were Euro 5.003 million (Euro 5.792 million at 31 December 2015).

They were made up of employee severance indemnities that had accrued at 31 December 2006 and were valued using actuarial methods. The change in the financial year under review is shown in the following table:

(€'000)	31.12.2015	Actuarial evaluation	Indemnities and advances paid	Other movements	31.12.2016
Defined benefit plans	5,792	328	1,059	(58)	5,003
<b>Total</b>	<b>5,792</b>	<b>328</b>	<b>1,059</b>	<b>(58)</b>	<b>5,003</b>

### Actuarial evaluation

(€'000)	
Personnel expenses:	
- Indemnities related to defined benefit plans	9
Financial expenses:	
- Actuarial loss	116
Other comprehensive income:	
- Remeasurement of defined benefit plans	203
<b>Total</b>	<b>328</b>



The Company uses a duly certified professional to determine the actuarial amounts.

The main hypotheses/assumptions used in the actuarial calculations for the defined benefit plans were as follows:

### Demographic assumptions

Mortality rate	Based on the ISTAT 2011 mortality tables by gender
Probability of disability	Based on the disability tables used in the INPS 2010 forecast model
Probability of termination of employment	Based on the probable employee turnover rate equal to 5% per annum of the companies being valued
Retirement probability	Assumption that the basic requirements needed to receive the compulsory general insurance (Assicurazione Generale Obbligatoria) were met
Probability of early retirement	Assumption of 3% per annum and an average amount of 70% of the staff-leaving indemnities of all the companies valued

### Economic and financial assumption for calculation of severance indemnity provisions

	31.12.2016	31.12.2015
Technical discount rate	1.30%	2.00%
Annual inflation rate	1.50%	1.50%
Annual rate of increase in severance indemnity provisions	2.62%	2.62%

The discount rate was calculated with reference to the Eurozone Iboxx Corporate AA index for a period equal to or greater than ten years.

The following table gives sensitivity analyses for the main assumptions used to calculate the liability for defined benefit plans.

### Effect of defined benefit plans on debt

(€'000) Economic and financial assumptions	Range	Base figure (excluding the CEO's termination benefit)	Increase in assumptions	Decrease in assumptions
Annual technical discount rate	+/-0.5%	4,987	4,731	5,183
Annual rate of increase in total employees salary	+/-0.5%	4,987	4,987	4,987
Life expectancy	+/-1 year	4,987	5,032	4,944





## CURRENT LIABILITIES

### 19) Bank borrowings

Bank borrowings totalled Euro 44.068 million (Euro 38.485 million at 31 December 2015) and the breakdown was as follows:

(€'000)	31.12.2016	31.12.2015	Change
Bank overdrafts	18,019	22,500	(4,481)
Current financing	26,049	15,985	10,064
<b>Total</b>	<b>44,068</b>	<b>38,485</b>	<b>5,583</b>

Bank borrowings were:

- Euro 18.019 million (Euro 22.500 million at 31 December 2015) of credit lines to meet cash requirements. Credit lines with conditions attached included that from Banca Nazionale del Lavoro SpA which was for advances on domestic receivables. Under the agreement for the credit line, each year Fiera Milano SpA agrees to channel through the bank incoming commercial funds in the form of payments, bank transfers, POS payments and notice payment forms (MAV) for an amount equal to a multiple of the credit line. At 31 December 2016, Euro 12.500 million of this credit line had been used.
- Euro 26.049 million (Euro 15.985 million at 31 December 2015) consisting of: the current loan of Euro 5.000 million, which had a residual sum of Euro 2.517 million, agreed on 26 February 2016 with Banca di Credito Cooperativo di Carate Brianza and repayable in quarterly instalments in arrears from 25 May 2016 until 25 August 2017 with interest at 3-month Euribor plus a spread of 1.75%; and the current portion of the non-current loans described in Note 15.

The current portion of non-current loans were: Euro 4.400 million for the loan taken out on 6 December 2013; Euro 5.707 million for the loan taken out on 23 May 2016; Euro 7.462 million for the loan taken out on 25 May 2016; Euro 0.990 million for the loan taken out on 27 May 2016; Euro 2.488 million for the loan taken out on 22 June 2016; and Euro 2.485 million for the loan taken out on 22 December 2016.

Bank borrowings are subject to floating rate interest.

### 20) Trade payables

These were Euro 19.839 million (Euro 26.185 million at 31 December 2015). Trade payables were mainly to Italian suppliers for the purchase of services required to mount the exhibitions that is the typical business of the Company. The change is primarily attributable to the lower number of transactions caused by the different exhibition calendar.

### 21) Advances

Advances totalled Euro 34.670 million (Euro 31.545 million at 31 December 2015) and were advances invoiced to clients for exhibitions to be held after the end of the financial year. Revenue recognition is delayed until the exhibition is held.



The table below gives a breakdown by exhibition. The change in advances compared to the previous financial year can be explained by the biennial and multi-annual frequency of some exhibitions.

(€'000)	31.12.2016	31.12.2015	Change
HOMI I semester	11,700	11,035	665
Host	4,789	2,144	2,645
Tuttofood	3,108	168	2,940
Salone del mobile/Complemento d'arredo	1,941	1,956	(15)
Lineapelle I semester	1,800	1,600	200
Mido	1,756	1,402	354
Transpotec & Logitec	1,534	-	1,534
Micam Spring	953	985	(32)
Promotion trade exhibition	822	275	547
Mostra Convegno Expocomfort	790	7,894	(7,104)
Made Expo	692	-	692
Sicurezza	620	-	620
The One Milano	611	-	611
Simac Tanning-Tech	595	443	152
Milano Unica Spring	546	528	18
Euroluce	492	-	492
Expodetergo	324	-	324
Lamiera	219	-	219
Bit	176	557	(381)
Sposaitalia	175	103	72
Ipack-Ima	166	-	166
Mipel	144	139	5
Myplant & Garden	132	-	132
Made in Steel	103	-	103
Eurocucina	-	433	(433)
Mifur	-	381	(381)
Bimu	-	381	(381)
Salone Internazionale del Bagno	-	250	(250)
Xylexpo	-	249	(249)
Venditalia	-	182	(182)
Esposizione Canina	-	166	(166)
Other	482	274	208
<b>Total</b>	<b>34,670</b>	<b>31,545</b>	<b>3,125</b>

This entry included Euro 0.288 million (Euro 0.041 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 44.



## 22) Other financial payables

These totalled Euro 4.365 million (Euro 15.395 million at 31 December 2015) and the breakdown was as follows:

(€'000)	31.12.2016	31.12.2015	Change
Financial payables to the controlling shareholder	1,627	15,225	(13,598)
Financial payables to the subsidiaries	2,687	-	2,687
Finance leases	51	170	(119)
<b>Total</b>	<b>4,365</b>	<b>15,395</b>	<b>(11,030)</b>

The entry for financial payables to the controlling shareholder refers to the balance in the current account held with Fondazione Fiera Milano that carries interest at 1-month Euribor plus a spread of 1.75%. The change in the figure compared to the previous year was due to the rent payable in 2015. Further details on this account are given in Note 44.

The entry financial payables to subsidiaries refers to the balance in the current account held with Ipack-Ima SpA. This current account is part of the cash pooling agreement of 20 April 2016, effective from 27 April 2016, and shows the daily banking transactions of the two companies that may be offset against each other. The account carries interest rate at 1-month Euribor plus a spread of 1.75%.

Other financial payables included Euro 4.314 million (Euro 15.225 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 44.

## 23) Current provisions for risks and charges

(€'000)	31.12.2015	Provisions	Utilisation	Reclassification	31.12.2016
"Palazzo Italia" Berlin project	1,245	1,029	1,739	938	1,473
Losses on exhibitions	-	1,564	-	-	1,564
Other provisions for risks and charges	391	1,238	800	-	829
<b>Total</b>	<b>1,636</b>	<b>3,831</b>	<b>2,539</b>	<b>938</b>	<b>3,866</b>

These were Euro 3.866 million (Euro 1.636 million at 31 December 2015) and the breakdown was as follows:

- Euro 1.473 million for the current portion of the provision for the Palazzo Italia project in Berlin already described in Note 17;
- Euro 1.564 million for the net present value of estimated cash flows in the Industrial Plan for loss-making exhibitions in 2017;
- Euro 0.829 million (Euro 0.391 million at 31 December 2015) of other risk provisions mainly for legal disputes with employees. The provisions were mainly for the estimates of the probable liabilities arising from disputes with employees linked to the administration orders. No provision was made for costs directly attributable to the Court-appointed Administrator and his assistants as these costs, under prevailing law and at this state of the proceedings, are borne by the State. However, it cannot be excluded that, as part of the procedure, costs could occur or be charged to the companies involved which, at the present date, cannot be identified or quantified.

Furthermore, the measures adopted as a result of the administration order have given rise to costs that are included in costs of services under services and technical, legal, commercial and administrative consultancy.



## 24) Current tax liabilities

Current tax liabilities totalled Euro 0.905 million (Euro 4.022 million at 31 December 2015).

(€'000)	31.12.2016	31.12.2015	Change
Income tax payable in the financial year	-	2,432	(2,432)
Income tax (IRPEF) payable for employees	775	1,411	(636)
Income tax (IRPEF) payable for self-employed and project workers	108	162	(54)
Other tax liabilities	22	17	5
<b>Total</b>	<b>905</b>	<b>4,022</b>	<b>(3,117)</b>

The decrease was mainly due to the absence of taxes for the period; for IRAP this was due to the deducibility of the tax wedge and of the residual costs for the permanent personnel hired.

## 25) Other current liabilities

Other current liabilities totalled Euro 27.071 million (Euro 47.595 million at 31 December 2015).

(€'000)	31.12.2016	31.12.2015	Change
Trade payables to subsidiaries	12,796	14,410	(1,614)
Trade payables to associates	318	133	185
Other payables to the controlling shareholder	1,314	4,378	(3,064)
Payables to controlling shareholder for tax consolidation	-	345	(345)
Payables to subsidiaries for tax consolidation	134	141	(7)
Payables to the controlling shareholder for Group VAT	1,477	88	1,389
Payables to pension and social security entities	1,648	1,944	(296)
Payables to directors and statutory auditors	25	39	(14)
Payables to employees	3,920	9,171	(5,251)
Payables to exhibition organisers and others	5,111	16,811	(11,700)
Payables to subsidiaries' exhibition organisers	78	-	78
Payables to associates' exhibition organisers	62	-	62
Deferred income	188	134	54
Deferred income to subsidiaries	-	1	(1)
<b>Total</b>	<b>27,071</b>	<b>47,595</b>	<b>(20,524)</b>



The main changes compared to the previous financial year were the following:

- lower payables to exhibition organisers resulting from the trend in payments received on behalf of exhibition organisers;
- lower payables for the variable component of employee remuneration and for redundancy incentives;
- lower payables to the controlling shareholder mainly for the variable component of rent payable to Fondazione Fiera Milano only in the 2015 financial year because of the presence of Expo 2015.

This entry also included Euro 16.179 million (Euro 19.496 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 44.

## 26) Financial assets and liabilities

At 31 December 2016, the Company had net debt of Euro 44.474 million (Euro 17.845 million at 31 December 2015), as shown in the following table. Where applicable, any component of each entry that is a related-party transaction is shown separately.

### Net Financial Position

(€'000)	31.12.2016	31.12.2015
A. Cash (including bank balances)	11,983	42,972
B. Other cash equivalents	-	-
C. Securities held for trading	-	-
<b>D. Cash and cash equivalents (A+B+C)</b>	<b>11,983</b>	<b>42,972</b>
<b>E. Current financial assets</b>	<b>6,084</b>	<b>4,035</b>
- E.1 of which current financial receivables from the controlling shareholder	-	-
- E.2 of which current financial receivables from the subsidiaries	6,084	4,035
F. Current bank borrowings	18,019	22,500
G. Current portion of non-current debt	26,049	15,985
H. Other current financial liabilities	4,365	15,395
- H.1 of which current financial payables to the controlling shareholder	1,627	15,225
- H.2 of which current financial payables to the subsidiaries	2,687	-
<b>I. Current financial debt (F+G+H)</b>	<b>48,433</b>	<b>53,880</b>
<b>J. Net current financial debt (cash) (I-E-D)</b>	<b>30,366</b>	<b>6,873</b>
K. Non-current bank borrowings	14,108	10,922
L. Debt securities in issue	-	-
M. Other non-current liabilities	-	50
<b>N. Non-current net financial debt (K+L+M)</b>	<b>14,108</b>	<b>10,972</b>
<b>Net financial debt (cash) from continuing operations (J+N)</b>	<b>44,474</b>	<b>17,845</b>
<b>Net financial debt (cash) from assets held for sale</b>	<b>-</b>	<b>-</b>
<b>O. Net financial debt (cash)</b>	<b>44,474</b>	<b>17,845</b>



Net debt increased by Euro 26.629 million. The higher figure was due to a decrease in operating cash flows from net working capital, mainly due to the change in payables to some exhibition organisers and also to the different exhibition calendar.

Additional information on the financial instruments of the Company is given below to enable a better assessment of:

- a) the importance of financial instruments for the Statement of Financial Position and Income Statement;
- b) the significance and type of risks deriving from the financial instruments to which the Company was exposed during the financial year under review and the previous financial year and the relevant risk management procedures.

## Classes of financial instruments

The items in the Statement of Financial Position and the types of risk related to financial instruments at 31 December 2016 and 31 December 2015 are shown in the following table. Where recurring, related-party amounts are shown separately under each item:

### Risk class

(€'000)	Notes	Balance at 31.12.2015	Balance at 31.12.2016	Liquidity risk	Interest rate risk	Credit risk
<b>NON-CURRENT ASSETS</b>						
1) Trade and other receivables	7	13,031	12,469			X
<b>CURRENT ASSETS</b>						
2) Trade and other receivables	9	45,878	33,866			X
3) Current financial assets	11	4,035	6,084	X		
4) Cash and cash equivalents	12	42,972	11,983	X		
<b>NON-CURRENT LIABILITIES</b>						
5) Bank borrowings	15	10,922	14,108	X	X	
6) Other financial liabilities	16	50	-	X	X	
<b>CURRENT LIABILITIES</b>						
7) Bank borrowings	19	38,485	44,068	X	X	
8) Trade payables	20	26,185	19,839	X		
9) Other financial liabilities	22	15,395	4,365	X	X	
10) Other current liabilities	25	47,595	27,071	X		



## Significance of financial instruments

Financial instruments and their relative significance, as regards the Statement of Financial Position and Income Statement at 31 December 2015 and 31 December 2016, are shown in the following tables.

### Financial assets and liabilities shown in the accounts

(€'000)	Notes	FY 31.12.2015	Assets at fair value <sup>(a)</sup> through profit and loss	Loans and receivables	Investments held to maturity	Liabilities at amortised cost	Fair value	Impact on Income Statement
<b>NON-CURRENT ASSETS</b>								
1) Trade and other receivables	7	13,031	-	13,031	-	-	13,031	62
<b>CURRENT ASSETS</b>								
2) Trade and other receivables	9	45,878	-	45,878	-	-	45,878	(1,844)
3) Current financial assets	11	4,035	-	4,035	-	-	4,035	193
4) Cash and cash equivalents	12	42,972	-	42,972	-	-	42,972	9
<b>NON-CURRENT LIABILITIES</b>								
5) Bank borrowings	15	10,922	-	-	-	10,922	10,922	(1,339)
6) Other financial liabilities	16	50	-	-	-	50	50	-
<b>CURRENT LIABILITIES</b>								
7) Bank borrowings	19	38,485	-	-	-	38,485	38,485	(754)
8) Trade payables	20	26,185	-	-	-	26,185	26,185	-
9) Other financial liabilities	22	15,395	-	-	-	15,395	15,395	(1,054)
10) Other current liabilities	25	47,595	-	-	-	47,250	47,595	-

(a) Fair value at the recognition date.

(€'000)	Notes	FY 31.12.2016	Assets at fair value <sup>(a)</sup> through profit and loss	Loans and receivables	Investments held to maturity	Liabilities at amortised cost	Fair value	Impact on Income Statement
<b>NON-CURRENT ASSETS</b>								
1) Trade and other receivables	7	12,469	-	12,469	-	-	12,469	24
<b>CURRENT ASSETS</b>								
2) Trade and other receivables	9	33,866	-	33,866	-	-	33,866	(1,470)
3) Current financial assets	11	6,084	-	6,084	-	-	6,084	257
4) Cash and cash equivalents	12	11,983	-	11,983	-	-	11,983	9
<b>NON-CURRENT LIABILITIES</b>								
5) Bank borrowings	15	14,108	-	-	-	14,108	14,108	(809)
6) Other financial liabilities	16	-	-	-	-	-	-	-
<b>CURRENT LIABILITIES</b>								
7) Bank borrowings	19	44,068	-	-	-	44,068	44,068	(95)
8) Trade payables	20	19,839	-	-	-	19,839	19,839	-
9) Other financial liabilities	22	4,365	-	-	-	4,365	4,365	(143)
10) Other current liabilities	25	27,071	-	-	-	27,071	27,071	-

(a) Fair value at the recognition date.



As shown in the above tables, the accounting value of financial assets and liabilities is a reasonable approximation of their fair value; most of the financial instruments are current investments and borrowings and where non-current instruments have been used these have not been subject to significant contingent charges. The financial instruments are classifiable under Level 3 of the fair value hierarchy of IFRS 13.

## 27) Financial and market risk management

The main financial instruments used by Fiera Milano SpA are bank borrowings, current accounts and current financial loans from the controlling shareholder Fondazione Fiera Milano.

The Company has a favourable cash management cycle from the business of renting exhibition space to organisers and offering administrative and cash management services, receiving on behalf of the organisers everything that the exhibitors pay the organiser. After receiving the cash, Fiera Milano SpA, depending on the contractual agreements, retrocedes to the organiser what is its due and keeps the payment for the space rented out in the exhibition venues. The suppliers of goods and services are paid using normal payment conditions. This system allows the Company to receive in advance the sums it is due and thereby generate negative working capital, which, in turn, gives a cash surplus.

The Company is exposed to the following different types of risk.

### 27.1 Credit risk

Credit risk is represented by the Company's exposure to potential losses from the non-fulfilment of obligations undertaken by counterparties. Credit risk is adequately monitored, as is that pertaining to the cash management that characterises the business of the Company. Fiera Milano SpA hosts and organises exhibitions that are leaders in their sector and, therefore, the loyalty of exhibitors is high. For Fiera Milano SpA, the current system means that all receipts from exhibitors flow into the Fiera Milano SpA accounts and it is Fiera Milano SpA that retrocedes to its clients/organisers the amounts due them.

Three different categories of credit risk have been identified: organisers, exhibitors and other receivables.

The first category is the exhibition **organisers**; the receivables included in this category are considered to represent the lowest risk as the Company manages the cash flows of all the exhibitions at the two sites. Provisions for doubtful receivables are minimal in comparison to the amounts received and have been made for a few receivables that are proving difficult to recover.

The second risk category is the **exhibitors**; the receivables from this category are considered medium risk as exhibitors normally have to make payment before the end of the exhibition.

The third risk category is **other receivables**, which mainly comprises exhibition-related activities (stand-fitting, congresses, promotions, internet services) and activities that are not exhibition-related (sponsorship, advertising, etc.). These receivables are payable under normal payment conditions.





The categories of credit risk at 31 December 2015 and at 31 December 2016 and the breakdown of overdue payments are shown in the following tables:

('000) Class	FY 31.12.2015 Receivables	Due	Breakdown of late payments (days)					Provision
			Overdue	0-90	91-180	181-270	>270	
Organisers	6,585	2,324	6,334	3,478	-	357	2,499	2,073
Exhibitors	15,781	9,219	8,243	4,016	609	1,224	2,394	1,681
Other	15,502	6,322	11,168	5,453	1,738	1,467	2,510	1,988
<b>Total</b>	<b>37,868</b>	<b>17,865</b>	<b>25,745</b>	<b>12,947</b>	<b>2,347</b>	<b>3,048</b>	<b>7,403</b>	<b>5,742</b>

('000) Class	FY 31.12.2016 Receivables	Due	Breakdown of late payments (days)					Provision
			Overdue	0-90	91-180	181-270	>270	
Organisers	3,170	1,721	3,421	1,079	-	65	2,277	1,972
Exhibitors	14,454	712	15,852	11,830	655	1,149	2,218	2,110
Other	7,287	3,795	5,209	2,241	242	252	2,474	1,717
<b>Total</b>	<b>24,911</b>	<b>6,228</b>	<b>24,482</b>	<b>15,150</b>	<b>897</b>	<b>1,466</b>	<b>6,969</b>	<b>5,799</b>

The provision for doubtful receivables is based on presumed recoverability, using internal assessments supported by those of external legal consultants.

Changes in the provision for doubtful receivables at 31 December 2015 and at 31 December 2016 and the breakdown by risk category are given in the following tables:

('000) Class	FY 31.12.2014 Provision	Provisions	Utilisation	FY 31.12.2015 Provision
Organisers	1,355	718	-	2,073
Exhibitors	1,923	631	873	1,681
Other	1,832	499	343	1,988
<b>Total</b>	<b>5,110</b>	<b>1,848</b>	<b>1,216</b>	<b>5,742</b>

('000) Class	FY 31.12.2015 Provision	Provisions	Utilisation	FY 31.12.2016 Provision
Organisers	2,073	-	101	1,972
Exhibitors	1,681	1,356	927	2,110
Other	1,988	119	390	1,717
<b>Total</b>	<b>5,742</b>	<b>1,475</b>	<b>1,418</b>	<b>5,799</b>



## 27.2 Liquidity risk

Although the Company has taken measures to ensure that it has adequate levels of working capital and liquidity, a drop in business volumes caused by the seasonality and cyclicity that characterise the exhibition business could affect its financial results and its ability to generate cash flow.

The net debt at 31 December 2016, which had increased compared to the figure at 31 December 2015, was influenced by the less favourable exhibition calendar and the consequent effect on advances paid by organisers to participate in exhibitions.

The aim of the Company risk management and use of debt is to guarantee an adequate level of liquidity, minimising the opportunity cost and maintaining a balance in terms of the duration and composition of debt. To cover its investments, over the years, the Company has transferred part of its current debt to non-current debt by agreeing a series of loans that last from two to five years.

As described in Notes 15 and 19, the non-current loan granted to the Company by Banca Popolare di Milano SpA on 6 December 2013, of which Euro 6.601 million is still outstanding, is subject to financial covenants that are measured annually. At 31 December 2016, these covenants had been met.

The credit lines currently existing with banks, together with forecast operating cash flows, were considered sufficient to cover the short-term financial requirements despite the peaks in cash absorption that are concentrated in the months when there are no exhibitions and when financial requirements are covered using the funds available in the current account held with the controlling shareholder Fondazione Fiera Milano.

Maintaining the financial equilibrium of the Company is also dependent on attaining the targets of the Industrial Plan, as well as to the performance of the economy, forecasts for which necessitate an assessment of the outcome of future events and circumstances that by their very nature are uncertain.



The tables below give the breakdown of financial liabilities by maturity date and the outstanding interest payable to maturity at 31 December 2015 and 31 December 2016.

## Financial liabilities

(€'000)	FY at 31.12.2015	3 mths	6 mths	12 mths	18 mths	24 mths	3 years	5 years	>5 years
Current bank payables	38,485	24,435	7,937	6,113					
Current interest payable		202	247	293					
Other current financial liabilities	15,395	5,085	10,225	85					
Current interest payable		63	45	2					
Non-current bank borrowings	10,922				4,338	4,382	2,202		
Non-current interest payable					187	109	37		
Other non-current financial liabilities	50				50				
Non-current interest payable					1				
Trade payables	26,185	26,185							
<b>Total</b>	<b>91,037</b>	<b>55,970</b>	<b>18,454</b>	<b>6,493</b>	<b>4,576</b>	<b>4,491</b>	<b>2,239</b>	-	-

(€'000)	FY at 31.12.2016	3 mths	6 mths	12 mths	18 mths	24 mths	3 years	5 years	>5 years
Current bank payables	44,068	23,521	7,852	12,695					
Current interest payable		177	134	185					
Other current financial liabilities	4,365		4,178	187					
Current interest payable			38	1					
Non-current bank borrowings	14,108				11,860	1,744	504		
Non-current interest payable					87	9	2		
Other non-current financial liabilities									
Non-current interest payable	-								
Trade payables	19,839	19,839							
<b>Total</b>	<b>82,380</b>	<b>43,537</b>	<b>12,202</b>	<b>13,068</b>	<b>11,947</b>	<b>1,753</b>	<b>506</b>	-	-

## 27.3 Market risk

The Company reserves the right to use appropriate hedging instruments if the market risks become significant.



## a) Interest rate risk

The Company has access to credit lines at competitive rates and is able to manage interest rate fluctuations. Moreover, the Company constantly monitors market conditions so as to intervene promptly should conditions change.

The composition of non-current and current bank borrowings is described in Notes 15 and 19.

The tables below give interest rate sensitivity analyses that show the effect of a +0.5% and a -0.5% change in interest rates on financial income and expenses in equity and in profit or loss for the 2015 and 2016 financial years.

(€'000)	Balance at 31.12.2015	Balance <sup>(*)</sup> (debt)	Income (expense)	Rate	+0,5%	-0,5%
Current accounts	42,874	13,911	9	0.06%	78	(61)
Current financial receivables from subsidiaries	4,035	3,852	193	5.01%	212	174
Current account with the controlling shareholder	(15,225)	(42,753)	(1,045)	2.44%	(1,257)	(829)
Current financial liabilities	(22,500)	(30,834)	(752)	2.44%	(907)	(598)
Current and non-current bank borrowings	(26,907)	(40,545)	(1,341)	3.31%	(1,545)	(1,139)
Other current and non-current financial liabilities	(220)	(259)	(9)	3.47%	(10)	(8)

(\*) average for the financial year.

(€'000)	Balance at 31.12.2016	Balance <sup>(*)</sup> (debt)	Income (expense)	Rate	+0,5%	-0,5%
Current accounts	11,890	13,995	9	0.06%	78	(62)
Current financial receivables from subsidiaries and joint venture	6,084	7,886	257	3.26%	297	218
Current account with the controlling shareholder	(1,627)	(6,039)	(107)	1.77%	(137)	(77)
Current account with the subsidiaries	(2,687)	(1,813)	(32)	1.77%	(41)	(23)
Current financial liabilities	(18,019)	(10,199)	(95)	0.93%	(146)	(44)
Current and non-current bank borrowings	(40,157)	(38,170)	(809)	2.12%	(1,000)	(618)
Other current and non-current financial liabilities	(51)	(101)	(4)	3.96%	(5)	(3)

(\*) average for the financial year.

## b) Exchange rate risk

This remained relatively insignificant in the financial year to 31 December 2016; the Company's activities were mainly focused on the domestic market and it had no bank borrowings in foreign currencies.

## c) Risk of movements in raw material prices

Fiera Milano SpA has limited exposure to the risk of changes in raw material prices. It normally has more than one supplier for any material considered critical and in some cases has long-term contracts that ensure lower price volatility.



## 28) Disclosure on guarantees given, undertakings and other potential liabilities

### Guarantees given

These totalled Euro 1.635 million (Euro 1.714 million at 31 December 2015) and the breakdown was as follows:

- BRL (Brazilian real) 5.500 million, equivalent to Euro 1.603 million, for the guarantee given by the Company to Banco BNP Paribas Brasil SA on behalf of the subsidiary Cipa FM to cover the bank loans given by the bank;
- Euro 0.032 million for other guarantees.

### Potential liabilities

The Company is currently involved in several legal proceedings and the legal advisor has estimated the effect of a potential adverse outcome, although, to date, this is uncertain, to be approximately Euro 0.500 million. There are other potential liabilities the timing or size of which cannot be estimated. These are connected to the interruption or non-fulfilment of contracts with some suppliers following the implementation of the detailed reputational analysis described in Note 45.

## INCOME STATEMENT

### REVENUES

## 29) Revenues from sales and services

Revenues from sales and services were Euro 173.421 million (Euro 277.307 million at 31 December 2015).

The breakdown of revenues was as follows:

(€'000)	2016	2015	Change
Facility fee for use of exhibition centre	73,494	93,913	(20,419)
Rentals of stands, fittings, and equipment	30,312	46,237	(15,925)
Rent of space to exhibitors	28,101	73,880	(45,779)
Catering and canteen services	17,570	23,749	(6,179)
Exhibition site services	6,216	10,256	(4,040)
Miscellaneous fees and royalties	4,198	6,609	(2,411)
Advertising space and services	3,549	4,369	(820)
Supplementary exhibition services	2,268	5,693	(3,425)
Exhibition insurance services	2,219	3,189	(970)
Access surveillance and customer care services	1,851	2,585	(734)
Telephone and internet services	1,091	936	155
Facility fees for use of conference centre	1,009	1,447	(438)
Administrative services	641	647	(6)
Ticket sales	371	1,054	(683)
Services from event organisation	40	966	(926)
Revenues from publishing products	6	1,112	(1,106)
Other	485	665	(180)
<b>Total</b>	<b>173,421</b>	<b>277,307</b>	<b>(103,886)</b>



The decrease in revenues was mainly attributable to the decrease in square metres of exhibition space occupied due to the less favourable exhibition calendar that the previous year had included the directly organised exhibitions held in uneven-numbered years Host and Tuttofood, the hosted exhibitions Made Expo and Simei, the triennial exhibitions Ipack-Ima and Plast, the multi-annual exhibition EMO, held in Milan every six years, and the itinerant exhibition ITMA. Furthermore, the 2015 financial year also benefited from revenues from the contracts linked to Expo 2015. This effect was, in part, compensated by the presence of the important biennial exhibitions held in even-numbered years Mostra Convegno Expocomfort and Bimu.

Revenues from sales and services included Euro 4.514 million (Euro 6.863 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 44.

The business of the Company is almost exclusively concentrated in the domestic market.

## OPERATING COSTS

### 30) Costs of materials

These were Euro 0.506 million (Euro 0.900 million at 31 December 2015).

The breakdown was as follows:

(€'000)	2016	2015	Change
Printed materials, forms and stationery	355	605	(250)
Subsidiary materials and consumables	152	295	(143)
Use of provisions	(1)	-	(1)
<b>Total</b>	<b>506</b>	<b>900</b>	<b>(394)</b>

This entry included Euro 0.003 million (Euro 0.004 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 44.



## 31) Costs of services

These totalled Euro 100.613 million (Euro 144.892 million at 31 December 2015).

The breakdown was as follows:

(€'000)	2016	2015	Change
Stands and equipment for exhibitions	34,518	51,746	(17,228)
Catering	11,641	16,204	(4,563)
Energy costs	8,016	9,818	(1,802)
Technical, legal, commercial and administrative services	6,361	7,065	(704)
Cost of marketing projects for exhibitions	6,101	7,899	(1,798)
Maintenance	5,610	6,270	(660)
Security and gate services	4,603	6,476	(1,873)
Cleaning and waste disposal	4,078	5,795	(1,717)
IT services	3,825	4,520	(695)
Insurance	2,922	3,183	(261)
Advertising	2,385	3,890	(1,505)
Other professional and collaborative services	2,311	4,701	(2,390)
Telephone and internet expenses	1,303	1,601	(298)
Technical assistance and ancillary services	1,147	1,102	45
Transport	595	811	(216)
Ticketing	515	430	85
Remuneration of statutory auditors	110	102	8
Conference and congress services	69	134	(65)
Change in suspended costs for future exhibitions	(3,271)	3,268	(6,539)
Other	8,049	10,057	(2,008)
Use of provisions	(275)	(180)	(95)
<b>Total</b>	<b>100,613</b>	<b>144,892</b>	<b>(44,279)</b>

Costs of services mainly included costs for managing the exhibition sites during the setting up, running, and dismantling of exhibitions and congresses.

The figure decreased by Euro 44.279 million compared to the figure at 31 December 2015 due to lower business volumes reflecting the cyclicity of the exhibition calendar.

The entry includes Euro 33.123 million (Euro 48.516 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 44.



### 32) Cost of use of third-party assets

This totalled Euro 43.551 million (Euro 54.945 million at 31 December 2015) and the breakdown was as follows:

(€'000)	2016	2015	(€'000)
Rent and expenses for exhibition sites	42,390	53,005	(10,615)
Other rental expenses	2,184	2,119	65
Vehicle hire	437	529	(92)
Office equipment and photocopier hire	20	31	(11)
Use of provisions	(1,480)	(739)	(741)
<b>Total</b>	<b>43,551</b>	<b>54,945</b>	<b>(11,394)</b>

The item, rent and expenses for exhibition sites, included the rent of Euro 42.207 million payable to the controlling shareholder Fondazione Fiera Milano, whilst other rental expenses included Euro 1.968 million under the lease agreement for the Palazzo Italia in Berlin.

The decrease is largely attributable to the absence of the non-recurring variable component of rent for the fieramilano exhibition site that was payable only in 2015 because of the presence of Expo 2015.

The total rental costs for the Rho and Milan exhibition sites for the following periods are:

- 2017: Euro 42.206 million;
- 1 – 5 years: Euro 168.822 million;
- over 5 years: 64.733 million.

The entry includes Euro 42.483 million (Euro 52.588 million at 31 December 2015 of which Euro 10.000 million was the non-recurring item of additional rent paid to Fondazione Fiera Milano) for related-party transactions. Further details on related-party transactions are given in Note 44.

### 33) Personnel expenses

These totalled Euro 32.245 million (Euro 45.779 million at 31 December 2015) and the breakdown was as follows:

(€'000)	2016	2015	Change
Salaries	21,263	26,974	(5,711)
Social Security payments	6,779	8,652	(1,873)
Defined contribution plans charges	1,387	1,557	(170)
Directors' remuneration	1,007	1,152	(145)
Seconded employees from subsidiaries	820	874	(54)
Redundancy incentives	712	5,597	(4,885)
External and temporary employees	248	334	(86)
Defined benefit plans charges	9	(31)	40
Other expenses	673	870	(197)
Use of provisions	(653)	(200)	(453)
<b>Total</b>	<b>32,245</b>	<b>45,779</b>	<b>(13,534)</b>





Salaries, remuneration and related social security contributions decreased mainly due to the savings generated by the restructuring that began at the end of 2015, as well as to lower redundancy incentives and lower costs for the variable component of remuneration.

The entry includes Euro 0.820 million (Euro 0.874 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 44.

The breakdown of the average number of employees (including those on fixed-term contracts) was as follows:

### Breakdown of personnel by category

	2016	2015	Change
Managers	24	30	(6)
Middle managers and white collar workers	409	419	(10)
<b>Total</b>	<b>433</b>	<b>449</b>	<b>(16)</b>

### 34) Other operating expenses

These were Euro 3.519 million (Euro 4.636 million at 31 December 2015) and the breakdown was as follows:

(€'000)	2016	2015	Change
Other tax expenses	2,842	3,786	(944)
Doubtful receivables covered by provisions	1,418	1,216	202
Association fees	248	277	(29)
Subscriptions	35	27	8
Other expenses	446	547	(101)
Use of provisions	(1,470)	(1,217)	(253)
<b>Total</b>	<b>3,519</b>	<b>4,636</b>	<b>(1,117)</b>

The decrease in other taxes was mainly due to lower local taxes for TARI [the part of local taxes relating to waste services] for the Rho exhibition site.

The entry includes Euro 0.974 million (Euro 1.132 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 44.



## 35) Other income

Other income was Euro 5.230 million (Euro 6.756 million at 31 December 2015) and the breakdown was as follows:

(€'000)	2016	2015	Change
Other recovered costs	2,168	2,004	164
Recovery of expenses for seconded employees	746	1,445	(699)
Office rent and expenses	719	1,732	(1,013)
Insurance indemnities	57	20	37
Other income	1,540	1,555	(1)
<b>Total</b>	<b>5,230</b>	<b>6,756</b>	<b>(1,526)</b>

The decrease in the item office rent and expenses was mainly attributable to the expiry of a contract with the company Expo 2015 for the latter to rent certain areas of the site.

The entry includes Euro 3.985 million (Euro 4.432 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 44.

## 36) Depreciation and amortisation

### Depreciation of property, plant and equipment

This was Euro 1.312 million (Euro 2.030 million at 31 December 2015).

The item includes a negative figure of Euro 0.030 million (a negative figure of Euro 0.013 million at 31 December 2015) for use of part of the risk provisions for the depreciation of the Palazzo Italia.

Details of depreciation are given in the Notes to the Accounts under the entry for property, plant and equipment.

### Amortisation of intangible assets

This was Euro 2.721 million (Euro 4.243 million at 31 December 2015).

The decrease in the figure mainly reflected the end of amortisation of certain asset groups.

Details of amortisation are given in the Notes to the Accounts under the entry for intangible assets with a finite useful life.



### 37) Adjustments of asset values

These totalled Euro 3.333 million (Euro 1.953 million at 31 December 2015).

The breakdown is given in the following table:

(€'000)	2016	2015	Change
<i>Impairment of exhibition trademarks</i>	3,333	1,953	1,380
<b>Total</b>	<b>3,333</b>	<b>1,953</b>	<b>1,380</b>

Further details on impairment losses are given in Note 5 to the Statement of Financial Position.

### 38) Provision for doubtful receivables and other provisions

These were Euro 5.241 million (Euro 5.464 million at 31 December 2015).

Changes in this entry are show in the following table:

(€'000)	2016	2015	Change
Losses on future exhibitions	1,564	-	1,564
Write-down of doubtful receivables	1,475	1,848	(373)
Disputes with personnel	1,220	551	669
Palazzo Italia project	1,029	3,065	(2,036)
Other disputes	18	-	18
Write-back of provisions	(65)	-	(65)
<b>Total</b>	<b>5,241</b>	<b>5,464</b>	<b>(223)</b>

Further details on movements in risk provisions during the financial year under review are given in Notes 9, 17 and 23 to the Statement of Financial Position.

### 39) Financial income and similar

These totalled Euro 6.364 million (Euro 4.306 million at 31 December 2015) and the breakdown was as follows:

(€'000)	2016	2015	Change
Dividends	6,006	3,972	2,034
Interest income on financing granted to subsidiaries	257	193	64
Interest income from cautionary deposits for rent of the exhibition sites from the controlling shareholder	21	52	(31)
Exchange rate gains	11	9	2
Interest income on bank accounts	9	9	-
Interest income on receivables from the controlling shareholder	4	10	(6)
Other financial income	56	61	(5)
<b>Total</b>	<b>6,364</b>	<b>4,306</b>	<b>2,058</b>



The increase was mainly due to dividends received from subsidiaries and joint ventures.

This entry includes Euro 6.288 million (Euro 4.227 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 44.

#### 40) Financial expenses and similar

These totalled Euro 1.191 million (Euro 3.297 million at 31 December 2015) and the breakdown was as follows:

(€'000)	2016	2015	Change
Interest payable on bank accounts	919	2,114	(1,195)
Expenses from calculation of net present value of defined benefit plans	116	99	17
Interest payable on current account held with the controlling shareholder	107	1,045	(938)
Interest payable on current account held with the subsidiaries	31	-	31
Exchange rate losses	9	3	6
Other financial expenses	9	36	(27)
<b>Total</b>	<b>1,191</b>	<b>3,297</b>	<b>(2,106)</b>

The change mainly reflected lower financial expenses due to lower average current and non-current debt.

This entry includes Euro 0.138 million (Euro 1.045 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 44.

#### 41) Valuation of financial assets

(€'000)	2016	2015	Change
Fiera Milano Exhibitions Africa Pty Ltd	(5,472)	(3,211)	(2,261)
Worldex Fiera Milano Exhibitions Co., Ltd	(5,128)	-	(5,128)
Eurofairs International Consultoria e Participações Ltda	(4,990)	(9,413)	4,423
Fiera Milano Media SpA	(3,893)	-	(3,893)
Limited Liability Company Fiera Milano	(15)	(806)	791
Fiera Milano India Pvt Ltd	(23)	(20)	(3)
Fiera Milano Interteks Uluslararası Fuarçılık A.S.	-	(2,560)	2,560
Milan International Exhibitions Srl under liquidation	-	(23)	23
<b>Total</b>	<b>(19,521)</b>	<b>(16,033)</b>	<b>(3,488)</b>

This entry was negative for Euro 19.521 million (negative for Euro 16.033 million at 31 December 2015). It was mainly attributable to the impairment losses already detailed in Notes 6 and 11 to the Statement of Financial Position. It also includes the impairment charge for the difference between the selling price and the carrying value of the shareholding in the Chinese subsidiary Worldex Fiera Milano Exhibitions Co. Ltd, as described in Notes 2 and 6 to the Statement of Financial Position.



## 42) Income tax

Income tax was positive for Euro 3.579 million (a charge of Euro 5.653 million at 31 December 2015).

The breakdown was as follows:

(€'000)	2016	2015	Change
Current income tax	(3,608)	2,198	(5,806)
Deferred income tax	29	3,455	(3,426)
<b>Total</b>	<b>(3,579)</b>	<b>5,653</b>	<b>(9,232)</b>

The breakdown of current taxes at 31 December 2016 was as follows:

### Current income tax

(€'000)	2016	2015	Change
Current income tax – IRAP	(371)	1,483	(1,854)
Current income tax – IRES	-	1,046	(1,046)
Income/expenses from tax consolidation	(3,237)	(331)	(2,906)
<b>Total</b>	<b>(3,608)</b>	<b>2,198</b>	<b>(5,806)</b>

Since the 2007 financial period, Fiera Milano SpA, acting as the consolidating entity, and all the Italian subsidiaries, as the consolidated entities, have opted for the Italian national tax consolidation for payment of IRES. This option was reduced every three years until the 2015 financial year.

Starting in 2016, Fiera Milano SpA and some of its Italian subsidiaries opted to adhere to the tax consolidation of Fondazione Fiera Milano acting as the consolidating entity. This decision is binding for the 2016, 2017 and 2018 financial years.

Income from the tax consolidation is the sum recognised by Fondazione Fiera Milano for the use of the IRES tax losses of the financial year under review transferred to offset the IRES tax charge of the financial year under review in the tax consolidation.

Deferred taxes in the financial year under review were Euro 0.029 million and were the net balance of deferred tax assets (Euro 0.237 million) and deferred tax liabilities (Euro 0.208 million).

The change in the deferred tax assets was mainly due to the use of pre-paid taxes recognised in previous financial years to offset risk provisions, which became tax deductible at the time they were utilised.

The change in the deferred tax liabilities was mainly due to the use of tax provisions made in previous financial periods for impairment charges to trademarks and for amortisation and depreciation that were used in the period under review.



A breakdown of deferred tax assets and deferred tax liabilities are given in the following table:

### Deferred income taxes

(€'000)	31.12.2015	Recognised in the Income Statement	Recognised in equity	31.12.2016
<b>Deferred tax assets</b>				
Excess amortisation, depreciation and write-downs	280	(31)	-	249
Provisions for risks and charges	2,050	(449)	-	1,601
Write-down of doubtful receivables	1,298	58)	-	1,356
Tax losses carried forward	8,759	298	-	9,057
Other temporary differences	453	(113)	49	389
Costs for share capital increase	229	-	(63)	166
<b>Total</b>	<b>13,069</b>	<b>(237)</b>	<b>(14)</b>	<b>12,818</b>
<b>Deferred tax liabilities</b>				
Goodwill and other amortisation	9,984	(210)	-	9,774
Other temporary differences	1	2	-	3
<b>Total</b>	<b>9,985</b>	<b>(208)</b>	<b>-</b>	<b>9,777</b>
Net deferred taxes	3,084	(29)	(14)	3,041
<i>of which:</i>				
<i>Tax assets for deferred taxes</i>	<i>13,069</i>			<i>12,818</i>
<i>Deferred tax liabilities</i>	<i>9,985</i>			<i>9,777</i>

The total theoretical deferred tax assets relating to tax losses carried forward from previous financial years and recognised in the accounts was Euro 9.057 million and was for losses prior to the tax consolidation.

### Reconciliation of theoretical and effective corporation tax charge (IRES)

(€'000)	
Profit/(loss) before income tax	(28,739)
Percentage applicable for corporation income tax (IRES)	27.5%
<b>Theoretical IRES tax charge (corporation income tax)</b>	<b>(7,903)</b>
Difference between theoretical and effective tax charges:	
Non-deductible operating expenses	7,104
Effect of change rate	130
Shares of dividends not subject to tax	(1,610)
Effect of tax consolidation	(710)
Other	(883)
<b>Effective IRES tax charge</b>	<b>(3,872)</b>



## Reconciliation of theoretical and effective corporation tax charge (IRAP)

<i>(€'000)</i>	
Net operating result (EBIT)	(14,391)
Personnel expenses	32,245
Taxable base for purposes of IRAP	17,854
Statutory rate applicable for corporation income tax (IRAP)	3,9%
<b>Theoretical IRAP tax charge (corporation income tax)</b>	<b>696</b>
Difference between theoretical and effective tax charges:	
Effect of tax wedge	(1,094)
Other	691
<b>Effective IRAP tax charge</b>	<b>293</b>

The entry for income taxes included a positive figure of Euro 3.237 million (positive for Euro 0.331 million at 31 December 2015) for related-party transactions. Further details on related-party transactions are given in Note 44.

### 43) Profit/(loss) for the year

At 31 December 2016, the Company made a net loss of Euro 25.160 million compared to a net loss of Euro 1.456 million at 31 December 2015.

### 44) Related-party transactions

As part of its corporate governance, Fiera Milano SpA has adopted Principles of Conduct regarding Related-party Transactions as described in the Report on corporate governance and ownership structure, which is part of the Board of Directors' Management Report in the Financial Statements.

Transactions between Fiera Milano SpA and related parties were carried out at market conditions.

In the Statement of Financial Position, the Statement of Comprehensive Income and the Statement of Cash Flows, the amounts for related-party positions or transactions, if material, are shown separately. Given the total amount of statement of financial position and income statement items, Fiera Milano SpA has decided that Euro 2.000 million is the material threshold above which separate disclosure must be made in the Statement of Financial Position and Euro 1.000 million is that for separate disclosure in the Income Statement.

Detailed information on related-party transactions is given below and is divided between related-party transactions with the controlling shareholder Fondazione Fiera Milano and related-party transactions with subsidiaries.



## Related-party transactions with the controlling shareholder Fondazione Fiera Milano

Recurring transactions are summarised below.

### I. Real estate lease agreements

As described below, on 31 March 2014 new lease agreements were signed for the exhibition sites of Rho and Milan. These contracts were effective from the second semester of 2014.

On 18 January 2003, Fiera Milano SpA signed a lease agreement with Fondazione Fiera Milano for the Rho exhibition site. The same agreement established the terms of the lease for the Milan City site, giving an effective date of 1 January 2006 in the contracts for both exhibition areas.

Initially cancellation of the contracts had to be notified eighteen months prior to the expiry of the contracts on 31 December 2014. On 31 March 2014 new rental agreements for the exhibition sites of Rho and Milan were signed. The new rental agreements are for nine years effective from 1 July 2014 (following the agreed early termination of the existing lease agreements due to expire on 31 December 2014) and are automatically renewable for a further nine years.

Under the rental agreement for the Rho exhibition site, compared to the previous agreement that was valid until 30 June 2014, the rent was reduced by Euro 2.000 million in the second semester of 2014 and by Euro 14.000 million for the full-year 2015 and for each subsequent year of the agreement. Therefore, the rent was Euro 24.400 million for the second semester of 2014 and Euro 38.800 million from 2015 and for each subsequent year of the agreement annually adjusted for 100% of the change in the ISTAT consumer price index. For 2015 alone, because of the presence of Expo 2015 and the positive impact on the exhibition business of Fiera Milano, the agreement stipulated that Fondazione Fiera Milano would be paid an additional rent.

For the Milan City exhibition site, the parties agreed to maintain the existing rent of Euro 2.850 million per annum, annually adjusted for 100% of the change in the ISTAT consumer price index.

As the transaction was a transaction of greater importance under Article 5 of the Regulation on Related-party Transactions and of Article 10.2 of the *Procedures for Transactions with Related-parties* adopted by the Company, it was carried out under the *Procedures for Transactions with Related-parties* and, on 21 March 2014, an Information Document for a related-party transaction of greater importance (“Information Document OPC”) was published.

To ensure that market conditions applied, the rental agreements were prepared by the parties also using valuations prepared for Fiera Milano SpA by an independent expert.

### II. Settlement of Group VAT

Taking advantage of the facility provided by Presidential Decree (DPR) 633/72, from 1 January 2002, Fiera Milano SpA chose to follow the procedures, managed by the controlling shareholder, Fondazione Fiera Milano, for settlement of Group VAT. This mechanism makes it easier to settle any tax obligations, without the Company incurring additional costs.





### III. Group tax consolidation

In the financial year 2004/2005, Fiera Milano SpA and several of its subsidiaries opted to participate in the tax consolidation of the controlling shareholder Fondazione Fiera Milano. Following the change in the accounting year-end of Fiera Milano SpA and all its subsidiaries, participation in this tax consolidation ceased. However there remain certain contractual obligations to Fondazione Fiera Milano which are referred to in the Notes to the Financial Statements.

In 2016, Fiera Milano SpA and some of the other Italian subsidiaries did not renew the option to participate in the tax consolidation of Fiera Milano SpA and opted instead to participate in the tax consolidation of Fondazione Fiera Milano acting as the consolidating entity. This option is binding for the 2016, 2017 and 2018 financial years.

The rule adopted under the tax consolidation of Fondazione Fiera Milano, provides that the tax losses of the consolidated companies, generated in each of the years that the option is valid, may be utilised to offset the taxes in the same financial year of the companies participating in the tax consolidation, after the tax losses of Fiera Milano SpA and the consolidating entity have been calculated; compensation for the tax losses of the companies consolidated is recognised for the amount of the effective benefit generated by the tax consolidation.

### IV. Contract for supply of services

Fiera Milano SpA has an annual contract with Fondazione Fiera Milano for the reciprocal provision of services, which arise from or are necessary for the exercise of their respective activities. The contract is renewable annually unless cancelled by a written agreement between the parties.

The contract provides for the reciprocal supply of two kinds of services: *i)* services of a general nature, which fall within the range of activities of the entity providing them, supplied to the buyer on a continuous and systematic basis; *ii)* specific services, or services provided on request and relating to specific activities to be agreed from time to time between the buyer and the supplier, also on the basis of appropriate offers/estimates. The service supply contract is governed by market conditions.

### V. Licence contracts for use of the Fiera Milano brand name

On 17 December 2001, Fondazione Fiera Milano, as owner of the “Fiera Milano” brand name granted Fiera Milano SpA an exclusive licence for the use of the said brand name in order to typify its own activities, also through its use on headed paper, on its commercial material, and to differentiate its headquarters and offices. The licence has been granted for Italy and all countries and locations where the brand name has been or will be registered or lodged.

The symbolic consideration paid by Fiera Milano SpA to Fondazione Fiera Milano was Euro 1.0. Fondazione Fiera Milano, having as its corporate objective the development of the exhibition sector, has maintained Fiera Milano as part of its name and did not include it in the business division “Exhibition Management Activity” contributed to the Parent Company in 2001, but with the expectation that Fiera Milano SpA would use the said brand name for an extended period of time and without incurring further costs for its use.

This licence is valid until 31 December 2017 with automatic renewal for a further fifteen years, unless cancelled by one of the parties.



## VI. Current account contract

On 24 June 2016, effective from 1 July 2016, a new contract for the current account was agreed. The contract expired on 31 December 2016 and is automatically renewed each year unless one of the parties cancels by 30 September preceding the date of expiry.

Under the contract, the parties agreed to terminate the pre-existing contract for the current account which was done prior to its replacement by the new contract.

The parties settle receipts and payments under the contracts existing between them, in particular the rental payments for the exhibition sites and the services provided by each party to the other, and the account carries interest of 1-month Euribor plus a spread of 1.75% that may be periodically revised by the parties.

Credits for invoices issued by the parties will accrue interest sixty days from the end of the month in which the invoice is issued although the interest may not be collected and will remain unavailable until the current account is closed, except for invoices that are overdue by more than 180 days which are always payable immediately.

Invoices for the rent of the exhibition sites are part of the agreement but carry interest and are payable under the specific terms of the rental contracts. The balance of any invoices that are overdue by at least 180 days, together with the balance of the invoices for the leasing contracts on the exhibition sites that are due under the terms of the relevant contracts represent the collectable balance.

Credits which are not due for repayment are not included in the current account.

The party for which the overdue credit or debit balance exceeds Euro 5 million has the right to request payment of the balance, or to pay the balance. Where a request for payment has been made, the amount of the payment must be settled within 15 working days of the date of the said request.

The current account is closed and all interest paid every quarter.

### Transactions with subsidiaries

Fiera Milano SpA carried out commercial transactions with subsidiaries under market conditions that were for the organisation and management of exhibitions and other events.

As part of the corporate reorganisation and to achieve more efficient management of the organisational processes and strengthen the centralisation and single management of strategic services, Fiera Milano SpA provides the following services to some of its subsidiaries:

- administration, financial, and tax services;
- planning and control;
- procurement;
- legal services;
- human resources management;
- Information Communication Technology.

Fiera Milano SpA also provides communication services to subsidiaries in order to ensure a uniform Group image.

Transactions with subsidiaries are done at market conditions.



Fiera Milano Media SpA, Nolostand SpA and Fiera Milano Congressi SpA have a licence agreement with Fiera Milano SpA to use the brand “Fiera Milano” as part of their own trademarks. These agreements last until 31 December 2016 with no automatic renewal of the agreement. The agreed amount payable by each licensee company is Euro 100.00.

On 1 January 2017 the contracts were renewed until 31 December 2019.

## I. Tax consolidation

In the 2007 financial year, Fiera Milano SpA, as the consolidating entity, and all the Italian subsidiaries, as consolidated companies, opted for the Italian tax consolidation method for payment of IRES tax. The tax consolidation was renewed every three years until the 2015 financial year. When this agreement was not renewed the tax consolidation agreement was cancelled. However, certain contractual obligations still exist from this agreement that are shown in the financial statements.

## II. Nolostand SpA

On 14 May 2010, Fiera Milano SpA signed an agreement with its subsidiary Nolostand SpA for the exclusive supply of stand-fitting services to the clients of the Parent Company at exhibitions, events and other initiatives in the fieramilano and fieramilanocity exhibition sites. On 20 February 2015, a new agreement was signed under which the method of calculating the payment was modified. On 14 December 2015 a private agreement was signed to extend the existing contract from 1 January 2016 until 31 December 2016. For 2016 the amount to be paid was calculated as 25% of the operating profit (direct revenues less direct costs) and the amount was Euro 2.410 million.

On 4 February 2016, Fiera Milano SpA signed a contract with the subsidiary Nolostand SpA for the annual maintenance of the Corporate Quality Management System of Fiera Milano SpA from 1 January 2016 until 31 December 2016, with no automatic renewal of the agreement. The payment made to Nolostand SpA for 2016 was Euro 0.116 million.

## III. Fiera Milano Media SpA

Fiera Milano SpA has an agreement with Fiera Milano Media SpA whereby the latter has the exclusive rights to manage the advertising on the billboards owned by Fiera Milano SpA and also to promote and market its business to certain specific clients of the Parent Company. Fiera Milano Media SpA pays Fiera Milano SpA 35% of the revenues generated by these two activities. The remaining 65% remains with the subsidiary as remuneration for the services it provides under the agreement. The remaining 65% remains with the subsidiary as payment for the services provided under the contract.

## IV. Ipack-Ima SpA

On 20 April 2016, Fiera Milano SpA signed a cash pooling contract with Ipack-Ima SpA effective from 27 April 2016 that shows the daily balances regarding payments between the two companies. The interest rate is 1-month Euribor plus a spread of 1.75% IV. Ipack-Ima SpA.

Financial, capital and economic transactions with related-parties are shown in the following table:



## Related party entries in the Statement of Financial Position and Income Statement in the financial year to 31 December 2016

(€'000)

	Property, plant and equipment	Other intangible assets	Trade receivables and other non current	Trade receivables and other current	Inventories	Current financial assets	Advances	Other current financial liabilities	Other current liabilities	Revenues from sales and services	Costs for materials	Costs of services	Cost of use of third-party assets	Personnel expenses	Other operating expenses	Other revenues	Financial income	Financial expenses	Tax	
<b>Controlling shareholder:</b>																				
Fondazione Fiera Milano			11,862	7,129				1,627	2,791	13		1,119	42,207	105	729	564	25	107	(3,237)	
<b>Subsidiaries:</b>																				
Fiera Milano Congressi SpA				700	14				250	1,183	2	570	241			963	1,051			
Fiera Milano Media SpA				428	115	3,212			1,146	468		1,833		348	245	1,207	59			
Ipack - Ima SpA								2,687					1					31		
La Fabbrica del Libro SpA				92		250	67		78							82				
Mico DMC Srl									25			24				15				
Noistand SpA	103		1,606		50				11,501	2,442		29,273		307		969	2,016			
Cipa Fiera Milano Publicações e Eventos Ltda				2			4					13								
Eurofairs International Consultoria e Paritipações Ltda												3					135			
Fiera Milano Exhibitions Africa Pty Ltd				36	120				8			25	32				16			
Limited Liability Company "Fiera Milano"				84								108					15			
Workdex (China) Exhibition & Promotion Ltd				13	5		10			294		124								
<b>Joint-ventures:</b>																				
Ipack Ima Srl		10		187	186	2,622	178		310	4	1	(1)	2	60		185	32			
Hannover Milano Fairs China Ltd																				
Hannover Milano Fairs India Ltd												4								
Hannover Milano Fairs Shanghai Ltd				12			29		70	110		23								
Hannover Milano Global Germany GmbH																	2,939			
<b>Associates:</b>																				
Sviluppo Sistema Fiera Srl under liquidation												5								
<b>Total related parties</b>	103	10	11,862	10,289	490	6,084	288	4,314	16,179	4,514	3	33,123	42,463	820	974	3,965	6,288	138	(3,237)	
<b>Total reported</b>	-	-	12,469	33,866	4,467	6,084	34,670	4,365	27,071	173,421	506	100,613	43,551	32,245	3,519	5,230	6,364	1,191	(3,579)	
<b>Related party entries/Total reported (%)</b>			95%	30%	11%	100%	0.83%	99%	60%	3%	0.59%	33%	96%	3%	28%	76%	99%	12%	90%	



Information on the remuneration paid to the Administrative and Control Bodies, to the General Directors and to the Executives with strategic responsibilities in the financial year to 31 December 2016 is given in the table included in the section below on other information.

## Statement of related party cash flow

(€'000)	2016	2015
<b>Cash flow from operating activities</b>		
Revenues and income	8,499	11,295
Costs and expenses	(77,402)	(103,114)
Financial income	6,288	4,227
Financial expenses	(138)	(1,045)
Income/expenses from tax consolidation	3,237	331
Change in inventories	(284)	(14)
Change in trade and other receivables	570	(1,167)
Change advances	247	31
Change in other current liabilities	(3,317)	6,446
<b>Total</b>	<b>(62,300)</b>	<b>(83,010)</b>
<b>Cash flow from investing activities</b>		
Investments in non-current assets		
Tangible and intangible	(113)	(2)
<b>Total</b>	<b>(113)</b>	<b>(2)</b>
<b>Cash flow from financing activities</b>		
Change in current financial (assets)/liabilities	(12,960)	(7,769)
<b>Total</b>	<b>(12,960)</b>	<b>(7,769)</b>
<b>Cash flow in the period</b>	<b>(75,373)</b>	<b>(90,781)</b>

	The table below shows cash flow from related party transactions:		
	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities
<b>FY to 31.12.16:</b>			
Total	(22,610)	(909)	(7,469)
Related party transactions	(62,300)	(113)	(12,960)
<b>FY to 31.12.15:</b>			
Total	44,841	(5,650)	217
Related party transactions	(83,010)	(2)	(7,769)

The financial accounts for related-party transactions included the following non-recurring items:

- Euro 10.000 million of Costs and expenses;
- a Euro 3.000 million Change in other current liabilities.



## 45) Other information

### Administration orders

With an order issued on 28 September 2016 and deposited on 11 October 2016, the Milan – Prevention Court Independent Section in the persons of the judges Mr Fabio Roia, Ms Veronica Tallarida and Mr Ilario Pontani meeting in camera issued, under Article 34 of the Legislative Decree 159/2011 an Administration order for Fiera Milano for a period of six months limited to the business area linked to Nolostand, since there was only evidence of criminal infiltrations in the exhibition stand-fitting business division relating to the subsidiary Nolostand SpA, which had received a similar administration order on 6 July 2016.

The same order appointed:

- as case-specific authorised magistrates, Mr Fabio Roia and Ms Veronica Tallarida;
- as Court-appointed Administrator, Mr Piero Antonio Capitini;
- as the Company defence counsel, Mr Angelo Giarda and Mr Enrico Giarda.

Under the provisions of the administration order, the Court-appointed Administrator will be present in the company and maintain regular contact with the Directors of the Company, with management and with the head of internal audit, and monitor and approve any changes in personnel, issue authorisations for contract terminations and the stipulation of new contracts with suppliers, oversee payments to suppliers and verify the service supplied by contractors while supporting the Board of Directors of the Company to implement initiatives aimed at counteracting any potential infiltration.

The two preventive administration orders were both for six months but were extendable for a further six months. At the hearing of 22 November 2016, the Milan Court ordered that the Administration orders for Fiera Milano SpA and Nolostand SpA be unified as the matters under both were closely connected. On 20 December 2016, having heard the Court-appointed Administrator, the Milan Court extended the administration order for Nolostand SpA for a further six months. Therefore, the administration order for Nolostand SpA will expire on 6 July 2017 unless the Milan Court decrees otherwise. Lastly, on 27 January 2017, the Court, without prejudice to the existing procedures under the administration order, extended the order to all corporate activities regarding just the following areas/authorities.

Lastly, on 27 January 2017, the Court, without prejudice to the existing procedures under the administration order, added further duties to the role of the Court-appointed Administrator regarding the following areas/authorities:

- approval of operating procedures to safeguard the legality of administrative actions and the monitoring of actions taken by the Company to increase the efficacy of these legal safeguards;
- to approve, in particular as far as concerns the means and timing of contract renewals, the operating procedures for the procurement of goods and services;
- to monitor the efficacy and timeliness with which the measures are implemented by the Company, also through the use of external consultants, to ensure the legal safeguards for administrative actions during the period of the administration order;
- quantitative and qualitative upgrading of the internal audit structure and verification of the timely implementation of the upgrades;
- to revise the audit plan and supervise the related activity;
- to revise the corporate responsibility structure exclusively for procurement and compliance, including reviewing the necessary requirements of professionalism and introducing any eventual rules governing rotation/replacement;
- appointment and removal of the head of the compliance department, deciding the relative responsibilities also regarding checks on the reputations of suppliers of goods and services, and regarding the procedures governing whistleblowing.



The attribution of these additional duties to the Court-appointed Administrator is intended to support the company administration but also confirms that the administration and management of the Company remain the domain of the Board of Directors.

Therefore, Fiera Milano SpA and its subsidiary Nolostand SpA, continue to operate normally carrying out their normal corporate activity under the control and oversight of the Court-appointed Administrator and, at the same time, the authority vested in the management body remains unchanged. The Company is collaborating fully with the Court-appointed Administrator in order to ensure business continuity. Following receipt of the aforementioned administration orders, the Company and Nolostand SpA implemented a series of initiatives to break with the past and revise, enhance and introduce new rules to improve business management that are based on new work models and methodologies. Furthermore the employees of Fiera Milano and Nolostand mentioned in the investigation documents of the Milan Public Prosecutor have been suspended and/or dismissed.

Provisions of Euro 0.720 million were also made to the risk and costs provision in the Financial Statements for the risks associated with the above matter; these are estimates of the probable liabilities linked to legal proceedings following on the measures taken.

The Company has instigated, with the support of leading consultancy firms, intense activity aimed at strengthening the legal safeguards in the procurement department and has adopted a procedure (that includes reputational checks and checks on the corporate structures) of the suppliers of Fiera Milano SpA. More generally, the steps taken are to avoid any future episodes of criminal infiltrations. The events have provided an opportunity to improve the corporate procedures in order that this episode concludes with the Company in possession of a reference framework that is in line with current best practice.

The main features of the projects underway are expected to be finalised within the timeframe of the administration orders.

From an operational viewpoint, although there has been some difficulties and delays caused by the organisational impact of replacing the suppliers that were behind the administration orders, the stand-fitting business has continued and the exhibitions have been held, which points to a positive future trend for the stand-fitting business division in the future.

As regards the legal proceedings against the representatives of the supplier, Fiera Milano SpA and Nolostand SpA requested that they be allowed to bring a civil action as the victims and injured parties against these persons. On 3 February 2017 all the accused were sentenced to the penalties imposed by the fair ruling of the court and to the payment of reparations for material and non-material damages arising from the civil action brought by Fiera Milano SpA and Nolostand SpA, to be settled by a separate civil judgement. Moreover, with reference to aforementioned preventative measures, at the current time no risks linked to the application of Legislative Decree 231/2001 have been found.

At present, on the basis of available information and an evaluation of the known risks carried out in preparing these Financial Statements and while recognising that elements of uncertainty exist given the ongoing administration orders and the reorganisation of procedures currently underway, it is not felt that the administration orders have a significant impact on the ongoing business of the Company.

## Non-recurring events and transactions

There were no material non-recurring transactions in the financial year under review under Consob communication of 28 July 2006. The amount of Euro 10.000 million referring to the previous financial year and shown separately under the entry for costs for the use of third-party assets was the non-recurring additional rent paid by Fiera Milano to the controlling shareholder Fondazione Fiera Milano because the revenues generated in the 2015 financial year exceeded the average annual revenues in 2012-2014.



## Transactions relating to atypical and/or unusual operations

In compliance with Consob Communication of 28 July 2006, it should be noted that no unusual and/or atypical operations were carried out in the financial year to 31 December 2016 as defined in the aforementioned Communication.

## Significant events after the end of the reporting period

With regard to the aforementioned administration order, the Company Board of Directors has made strenuous efforts, both before and after the administration order was issued, to bring about a significant improvement in the corporate governance of the Company and to instigate numerous measures to ensure their optimum implementation.

Following the request of the Public Prosecutor that the administration order be extended to all areas of the Company, on 13 January 2017, the Board of Directors, having carefully considered only what was in the interests of the Company, decided that the best solution was to resign its responsibilities so that a new Board of Directors could be appointed at the Shareholders' Meeting to approve the Financial Statements at 31 December 2016, scheduled for 21 April 2017. The Milan Court – Prevention Court Independent Section subsequently denied the request of the Public Prosecutor and stated that the administrative and management functions should remain the domain of the Board of Directors but, at the same time, it extended the powers already given to the Court-appointed Administrator to cover the legality and compliance safeguards of the entire Company.

The Board of Directors also felt that the Chief Executive Officer should resign his responsibilities. Mr Peraboni, on learning of the resignations of the Directors, also resigned. The Board of Directors then gave the authority for the ordinary management of the Company to the Chairperson in order to ensure the ongoing management of the business.

On 22 February 2017, the contract for the sale of the 75% shareholding in Worldex (China) Exhibition & Promotion Ltd was signed.

The sale price under the contract is Euro 2.750 million plus an eventual deferred amount of a maximum of Euro 1.000 million dependent on certain results being achieved in the three years 2017-2019, which is not recognised in the value at 31 December 2016 under IFRS 5. The sale of the shareholding in the subsidiary Worldex is in line with the strategy of repositioning the Group presence outside Italy and concentrating the foreign activities of the Group in the joint venture with its German partner Deutsche Messe.

On 28 March 2017, the Milan Court – Prevention Court Independent Section extended the administration order for the exhibition stand-fitting business division of the Company, due to expire on 11 April 2017, for a further six months; the first expiry date for the unified administration order is July 2017.

## Information under Article 149-*duodecies* of the Consob Listing Rules

The fees paid for the services provided by the independent audit firm in the 2016 financial year are shown in the following table.

(€'000)	Service provider	Fees for FY 2016
Auditing	EY SpA	265
Other services <sup>(*)</sup>	EY SpA	58
Other services <sup>(**)</sup>	Network EY	20
<b>Total</b>		<b>343</b>

(\*) Agreed upon procedures.

(\*\*) Other professional services related to environment, health and safety.





## Remuneration of the Administrative and Control Bodies, General Managers and Executives with strategic responsibilities in the financial year to 31 December 2016

Executives with strategic responsibilities are those that have the power and responsibility, both direct and indirect, for the planning, management and control of the Company activities.

Since 1 May 2015, executives with strategic responsibilities have been identified as the Directors, the Statutory Auditors, and the Manager responsible for preparing the Company accounts. Until 30 April 2015, Executives with strategic responsibilities also included the members of the Supervisory Body.

The total remuneration for this category of Executives was Euro 1.704 million at 31 December 2016 (Euro 3.479 million at 31 December 2015) and the breakdown was as follows:

### Remuneration

(€'000)	2016		
	Directors	Statutory Auditors	Other
Short-term benefits	896	110	644
Post-employment benefits	17	-	37
Other non-current benefits	-	-	-
Staff-leaving indemnities	-	-	-
<i>Notional income from stock option plans</i>	-	-	-
<b>Total</b>	<b>913</b>	<b>110</b>	<b>681</b>

(€'000)	2015		
	Directors	Statutory Auditors	Other
Short-term benefits	1,006	102	837
Post-employment benefits	7	-	66
Other non-current benefits	-	-	-
Staff-leaving indemnities	1,461	-	-
<i>Notional income from stock option plans</i>	-	-	-
<b>Total</b>	<b>2,474</b>	<b>102</b>	<b>903</b>

At 31 December 2016, the residual amount payable to this category was Euro 0.150 million.

Rho (Milan), 10 March 2017

On behalf of the Board of Directors

**The Chairperson**

Roberto Rettani



# ATTACHMENTS

1. List of investments in subsidiaries and joint ventures for the financial year at 31 December 2016 (art. 2427, paragraph 1, no.5 of the Italian Civil Code)

(€'000) Company name	Registered Office	Share capital	Equity		Net profit/(loss)		% held	Carrying value
			Total	Pro-quota	Total	Pro-quota		
<b>Subsidiaries:</b>								
Fiera Milano Congressi SpA	Milan	2,000	5,448	5,448	832	832	100.00%	12,200
Fiera Milano Media SpA	Milan	2,803	1,804	1,804	(776)	(776)	100.00%	14,277
La Fabbrica del Libro SpA	Milan	120	17	9	(103)	(53)	51.00%	61
Nolostand SpA	Milan	7,500	8,006	8,006	339	339	100.00%	13,390
Ipack-Ima SpA	Milan	200	5,402	5,145	2,196	2,196	100.00%	6,825
Fiera Milano Exhibitions Africa Pty Ltd	Cape Town	-	(424)	(424)	(3,345)	(3,345)	100.00%	-
Cipa Fiera Milano Publicações e Eventos Ltda	San Paolo - Brazil	2,041	1,021	10	(2,077)	(21)	1.00%	2
Eurofairs International Consultoria e Participações Ltda	San Paolo - Brazil	13,710	9,948	9,946	552	552	99.98%	-
				2			+0.02% ind.	
Fiera Milano India Pvt Ltd	New Delhi	279	195	195	(14)	(14)	99.99%	82
<b>Total</b>								<b>46,837</b>
<b>Joint Venture:</b>								
Hannover Milano Global Germany GmbH	Hannover - Germany	25	20,012	9,806	5,528	2,709	49.00%	10,990
<b>Total</b>								<b>10,990</b>

(\*) For subsidiary companies the indirect percentage held in the share capital has also been shown.



2. Summary of key figures of the last financial statements of subsidiaries and associates included in the area of consolidation (Art. 2429, paragraph 4 of Italian Civil Code). Italian GAAPs:

### Fiera Milano Congressi SpA

<i>(amounts in €'000)</i>	31.12.2016	31.12.2015
Revenues from sales and services	28,458	36,633
Profit/(loss)	832	1,062
Equity	5,448	5,668
Net financial debt/(cash)	(4,515)	(4,568)

### Fiera Milano Media SpA

<i>(amounts in €'000)</i>	31.12.2016	31.12.2015
Revenues from sales and services	11,093	13,421
Profit/(loss)	(776)	(1,522)
Equity	1,804	2,581
Net financial debt/(cash)	2,668	541

### Ipack-Ima SpA

<i>(amounts in €'000)</i>	31.12.2016	31.12.2015
Revenues from sales and services	-	3
Profit/(loss)	2,196	(1,126)
Equity	5,145	2,949
Net financial debt/(cash)	(2,730)	(3,552)

### Nolostand SpA

<i>(amounts in €'000)</i>	31.12.2016	31.12.2015
Revenues from sales and services	38,328	55,891
Profit/(loss)	339	3,249
Equity	8,006	9,682
Net financial debt/(cash)	(2,057)	(2,054)



- Summary of key figures of the last financial statements of subsidiaries and associates included in the area of consolidation (Art. 2429, paragraph 4 of Italian Civil Code). IAS/IFRS:

#### **Cipa Fiera Milano Publicações e Eventos Ltda**

<i>(amounts in Brazilian reais '000)</i>	31.12.2016	31.12.2015
Revenues from sales and services	21,864	-
Profit/(loss)	(8,008)	-
Equity	3,502	-
Net financial debt/(cash)	9,036	-

#### **Eurofairs International Consultoria e Participações Ltda**

<i>(amounts in Brazilian reais '000)</i>	31.12.2016	31.12.2015
Revenues from sales and services	-	-
Profit/(loss)	2,127	(4,710)
Equity	34,127	23,728
Net financial debt/(cash)	1,834	5,236

#### **Fiera Milano Exhibitions Africa Pty Ltd**

<i>(amounts in South African rand '000)</i>	31.12.2016	31.12.2015
Revenues from sales and services	18,401	20,760
Profit/(loss)	(54,407)	(16,572)
Equity	(6,137)	37,135
Net financial debt/(cash)	11,005	1,339

#### **Fiera Milano India Pvt Ltd**

<i>(amounts in rupees '000)</i>	31.12.2016	31.12.2015
Revenues from sales and services	-	-
Profit/(loss)	(1,062)	(4,066)
Equity	13,935	14,998
Net financial debt/(cash)	(5,871)	(7,574)

#### **Worldex Fiera Milano Exhibitions Co., Ltd<sup>(\*)</sup>**

<i>(amounts in yuan renminbi '000)</i>	31.12.2016	31.12.2015
Revenues from sales and services	17,842	15,218
Profit/(loss)	1,560	416
Equity	14,012	12,453
Net financial debt/(cash)	(7,573)	(10,350)

(\*) On 4 November 2016 the Board of Directors approved the sale of the 75% stake.



- Summary of key figures of the last financial statements of joint ventures included in the area of consolidation (Art. 2429, paragraph 4 of Italian Civil Code). Italian GAAPs:

#### **Ipack Ima Srl**

<i>(amounts in € '000)</i>	31.12.2016	31.12.2015
Revenues from sales and services	-	-
Profit/(loss)	(2,184)	-
Equity	2,728	-
Net financial debt/(cash)	2,326	-

- Summary of key figures of the last financial statements of joint ventures included in the area of consolidation (Art. 2429, paragraph 4 of Italian Civil Code). IAS/IFRS:

#### **Hannover Milano Global Germany GmbH**

<i>(amounts in € '000)</i>	31.12.2016	31.12.2015
Revenues from sales and services	33,414	40,684
Profit/(loss)	5,528	6,989
Equity	20,012	22,139
Net financial debt/(cash)	(19,853)	(21,221)



## Declaration relating to the Financial Statements in accordance with Article 154-bis, paragraph 5 of Legislative Decree of 24 February 1998, no. 58

1. 1. The undersigned, Roberto Rettani, as Chairperson, and Sebastiano Carbone, as Manager responsible for preparing the Financial Statements of Fiera Milano SpA, declare, having noted the provisions of article 154-bis, paragraphs 3 and 4 of Legislative Decree of 24 February 1998, no. 58:
  - the appropriateness in relation to the characteristics of the business and
  - the effective application of the administrative and accounting procedures for the preparation of the Financial Statements for the year to 31 December 2016.
2. In 2016, due to the administration orders, still ongoing, for the entire exhibition stand-fitting business division of Fiera Milano SpA and for the subsidiary Nolostand SpA, the actions of the Company have also focused on updating some corporate procedures, including those for procurement and the purchasing cycle. The evaluation process of the adequacy of the administrative and accounting procedures for the preparation of the Financial Statements at 31 December 2016 took account of these circumstances in identifying the periodic monitoring activities.
3. It is also declared that:
  - 3.1 The Financial Statements at 31 December 2016:
    - have been prepared in accordance with the applicable international accounting standards recognised by the European Union in accordance with EC Regulation no. 1606/2002 of the European Parliament and of the European Council of 19 July 2002;
    - correspond to the results contained in the accounting records and documents;
    - provide a true and correct representation of the capital, economic and financial situation of the Issuer.
  - 3.2 The report on operations includes a reliable analysis of the trend and results of operations and the situation of the Issuer, together with a description of the main risks and uncertainties to which they are exposed.

10 March 2017

*Signed by*

**The Chairperson**

Roberto Rettani

*Signed by*

**The Manager responsible for preparing the Company's Financial Statements**

Sebastiano Carbone



# Report of the Board of Statutory Auditors to the Shareholders' Meeting pursuant to Article 153 of Legislative Decree no. 58/98 and Article 2429 of the Italian Civil Code

To the Shareholders' Meeting of Fiera Milano

Dear shareholders,

Under Article 153 of Legislative Decree of 24 February 1998 no. 58 (the “*Consolidated Finance Act*”) the *Board of Statutory Auditors* is required to report to the *Shareholders' Meeting* called to approve the Financial Statements on its auditing and supervisory duties and any reprehensible acts or omissions noted. It also has the authority to make proposals to the *Meeting* regarding the Financial Statements, their approval, and any other items that fall within its remit.

The *Board of Statutory Auditors* in office at the date of the present Report was appointed by the *Shareholders' Meeting* of 29 April 2015 and its mandate will expire with the approval of the Financial Statements at 31 December 2017. The appointment of the *Board of Statutory Auditors* was made in accordance with all applicable legal and statutory provisions and regulations and the composition of the *Board of Statutory Auditors* respects the requirements of gender balance under Article 148 of Legislative Decree 58/98 (the *Consolidated Finance Act*).

The appointment of the *Statutory Auditors* was made on the basis of the proposal put forward by the *majority shareholder* under applicable legal and statutory provisions and regulations.

In the 2016 financial year, the *Board of Statutory Auditors* ascertained, through declarations received from the *Statutory Auditors* themselves and from available information, that there were no reasons for their appointments to be forfeit, or to consider the *Statutory Auditors* ineligible or unfit under Articles 2382 and 2399 of the Italian Civil Code and of Article 148 of the *Consolidated Finance Act*, and that they had the independence required by law under the *Rules of Conduct for the Boards of Statutory Auditors* drawn up by the *Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili* [equivalent of the Association of Chartered Accountants] and the *Self-regulatory Code for Listed Companies* regarding independent *Directors*, giving greater weight to substance (a guarantee of independent judgement) over form as recommended by the *Self-regulatory Code*.

The *Board of Statutory Auditors* communicated the results of these assessments, in accordance with Article 144-*novies*, paragraph 1-*ter* of *Consob Listing Rule no. 11971*, so that they could be made publicly available.

No events have occurred that would result in any *Statutory Auditor* losing his/her required independence since the last assessment was made.

During the financial year under review, the *Statutory Auditors* carefully assessed their responsibilities and the time required to execute these responsibilities diligently; it also checked that the limit on positions that can be held in other companies established in law (Article 148-*bis* of the *Consolidated Finance Act* and other enacted laws, Articles 144-*duodecies* to 144-*quinquiesdecies* of the *Listing Rules*) had not been exceeded, and fulfilled the disclosure requirements of *Consob* under Article 148 of the *Consolidated Finance Act* and under Article 144-*terdecies* of the *Listing Rules*.



The *Board of Statutory Auditors* reports that no *Statutory Auditor* has had any personal interest or acted on behalf of a third-party in any important transaction during the financial year under review.

## Administration orders imposed by the Milan Court

With an order issued on 23 June 2016 and notified on 6 July 2016, the *Milan Court* imposed an *administration order* on *Nolostand S.p.A.*, a subsidiary of *Fiera Milano S.p.A.*, for a period of six months. Subsequently in a ruling dated 28 September 2016 that was notified on 11 October 2016 it imposed an *administration order* on *Fiera Milano S.p.A.*, also for a period of six months and limited to the business area linked to *Nolostand S.p.A.*

The *Milan Court* imposed the *administration orders* under Article 34 of Legislative Decree no. 159/2011, because it judged that the organisational structure of both *Fiera Milano S.p.A.* and *Nolostand S.p.A.* were not sufficiently coordinated to guarantee internal preventative measures capable of avoiding infiltration by persons intent on criminal activity, with particular reference to Articles 416-*bis* e 648-*bis* of the Penal Code.

The *administration orders* imposed by the *Milan Court*, given the limited area in which, according to the *Court*, these illegal activities took place in previous financial years, did not replace the members of the *Board of Directors* or the *delegated executives* with appointees of the *Court* nor did it choose to suspend the administrative rules of the internal *bodies* of the two *companies* and, as a result, the management of the normal exhibition business continued.

On 27 January 2017, the *Milan Court* ruled that the *administration order* for *Fiera Milano S.p.A.* should continue in the same way as before, as should that for the subsidiary *Nolostand S.p.A.*, and gave the *Court-appointed Administrator* further powers that are normally the domain of the *Board of Directors* and which specifically cover all the areas of intervention of the *Company*: approval of operating procedures to safeguard the legality of administrative actions, approval of procedures for the procurement of goods and services, monitoring of the efficacy and timeliness with which the measures already adopted by the *Company* to ensure the legal safeguards for administrative actions are implemented, quantitative and qualitative upgrading of the internal audit structure and revision of the audit plan, revision of the corporate responsibility structure for procurement of goods and services, improvements to the compliance department and the relevant areas of responsibility, including review of the integrity due diligence for suppliers of goods and services.

The *Board of Statutory Auditors* acknowledges that the *administration orders* imposed by the *Milan Court*, expire on 6 July 2017; it is possible that a new expiry date will be set for *Fiera Milano S.p.A.*, as explained below.

On 3 February 2017, the preliminary investigations judge of the *Milan Court* in a shortened proceeding passed sentence on the main members of the *Consorzio Dominus* in the civil action brought by *Fiera Milano S.p.A.* and its subsidiary *Nolostand S.p.A.*, and required the accused to pay patrimonial and moral damages to *Fiera Milano S.p.A.* and *Nolostand S.p.A.*; the payment will be part of a separate judgement.

On 28 March 2017, the *Milan Court* ruled that the *administration order* for *Fiera Milano S.p.A.* should be extended for a further six months because, *inter alia*, the *Company* still needed to complete, perfect and test the efficacy of the procedures for the legal safeguards governing administrative actions and the procurement procedures for goods and services; to remedy the lack of an internal department to monitor the risks to which the *Group* is exposed; to rectify the inadequacy of the *Internal Control department*; and the absence of a compliance department, which should be resolved by the setting up of a dedicated structure to become operational in May of this year.





The *Milan Court* in its ruling extending the *administration order* and requested the *Court-appointed Administrator* and the new *administrative bodies* to implement in a timely and effective manner all the measures identified by the external consultants, who have already been appointed to draw up a definitive corporate governance structure for the *Group*.

## 📍 Requests for information under Article 115, paragraph 1 of Legislative Decree no. 58/98 (the “Consolidated Finance Act”)

On 14 October 2016, *Consob* called a meeting at its offices to request information pertaining to and resulting from the *administration orders* issued by the *Milan Court*.

Following this meeting, on 17 October 2016, a memo was delivered from the *Board of Statutory Auditors* to *Consob*: “*Memo regarding the initiatives taken by the Fiera Milano Group as a consequence of the preventive administration orders under Article 34 of Legislative Decree no. 159/2011*”, as well as other updated information.

On 1 December 2016, *Consob* requested, under Article 15 of the *Consolidated Finance Act*, “*the receipt of updated information on the Memo of 17 October 2016 and, in particular, on the results of the internal investigations carried out by the Audit department, the Supervisory Board and by Deloitte Financial Advisory, with the relevant reports to be attached*”.

On 15 December 2016, the *Board of Statutory Auditors* sent *Consob* an acknowledgement with the documentation on the activities carried out as part of its responsibilities.

The *Board of Statutory Auditors*, in answer to a specific request from *Consob*, reported on the precautionary suspension and subsequent dismissal for just cause of the *Manager responsible for preparing the accounts of the Fiera Milano Group*, a decision taken by the *Board of Directors of Fiera Milano S.p.A.*, as the aforementioned *Manager* was also the *Chief Executive Officer* of the subsidiary *Nolostand S.p.A.*

The *Board of Statutory Auditors* was invited by *Consob* to attend a second meeting under Article 115, paragraph 1 of the *Consolidated Finance Act* on 7 March 2017 to provide information on any eventual critical issues that had emerged of or were emerging from the legal audit of the 2016 Financial Statements of *Fiera Milano S.p.A.* and any eventual significant irregularities in the internal control system relating to the provision of financial information or that emerged in the course of preparing the Report of the *Board of Statutory Auditors* to the *Shareholders’ Meeting* called to approve the 2016 Financial Statements.

On that occasion the *Board of Statutory Auditors* updated *Consob* on the measures taken by the *Board of Directors of Fiera Milano S.p.A.* and, in particular, on the improvements and revisions made to the corporate procedures or to be made in the future.

On 29 March 2017, the *Board of Statutory Auditors* sent a further documentary update to *Consob* on its recent activities.



## Resignation of the Board of Directors

The majority of the members of the *Board of Directors* resigned at its meeting on 13 January 2017 causing the dissolution of the entire *Board* with delayed effect from the *Shareholders' Meeting* called to approve the Financial Statements at 31 December 2016.

On the same date, the *Chief Executive Officer* of the *Company* resigned.

The outgoing *Board of Directors* gave the *Chairperson* of the *Board of Directors* all the necessary powers for the ordinary management of the *Company*.

Subsequently, six meetings of the *Board of Directors* have been held during which the *Chairperson* has reported on the exercise of the powers vested in him and, from time to time, has requested the express approval and ratification, where necessary, of administrative acts that exceeded the ordinary powers assigned him.

## Supervisory activity: legal, regulatory and ethical

The supervisory duties of the *Board of Statutory Auditors* were carried out in accordance with legal requirements and, in particular, those of Article 149 of the *Consolidated Finance Act*; with the recommendations of *Consob* on corporate controls and the role of the *Board of Statutory Auditors* (in particular, *Consob Communication* of 20 February 1997 no. DAC/RM 97001574); with the provisions of the *Self-regulatory Code* and those of the 2015 edition of the *Rules of Conduct of the Board of Statutory Auditors of Listed Companies* issued by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*.

In preparing the present Report, the *Board of Statutory Auditors* took account of *Consob Communications* no. 1025564 of 6 April 2001, no. 3021582 of 4 April 2003 and no. 6031329 of 7 April 2006, which govern the content of the Reports of *Boards of Statutory Auditors to Shareholders' Meetings* of listed companies.

The *Board of Statutory Auditors* declares that on 29 April 2016 it sent *Consob*, in accordance with *Consob Communication* no. 6031329 of 7 April 2006, the "Summary Report of Supervisory Activities" for the 2015 financial year, using the model prepared for this purpose by *Consob*.

## Attendance at meetings of the corporate bodies

The *Board of Statutory Auditors* states that it held 23 meetings in the 2016 financial year, attended the *Shareholders' Meeting* and also the 19 meetings of the *Board of Directors*.

Since the end of the 2016 reporting period until the date of the present Report, the *Board of Statutory Auditors* has held six meetings.

During the 2016 financial year, the *Control and Risk Committee* met 11 times (two were joint meetings with the *Board of Statutory Auditors* given the matters under discussion and the resignation of Mr Renato Borghi, a member of the *Board of Directors*) and the *Remuneration Committee* met 10 times.

The *Board of Statutory Auditors* took part in all the meetings of the *Control and Risk Committee* through the presence of its *Chairperson* and/or through that of another *Standing Statutory Auditor* and also all the meetings of the *Remuneration Committee* through the presence of its *Chairperson*.



## Monitoring of compliance with legal and statutory requirements and regulations and adherence to the principles of correct management

Through its presence at meetings of the *Board of Directors*, the *Board of Statutory Auditors* has monitored compliance with legal and statutory requirements and regulations that govern the functioning of the *Company* bodies and the adherence to the principles of correct management.

The frequency of the *Board of Directors'* meetings, also under the *administration order*, and the average attendance rate of the *Directors* and the duration of the meetings were sufficient and no significant decisions were taken without appropriate information being provided to the *Directors* and the *Board of Statutory Auditors*, also given the specific matters discussed and the exhaustive nature of the discussions.

The *Board of Statutory Auditors* has verified that all the decisions taken were in the interests of the *Company* and were supported by appropriate documentation and, if necessary, expert opinions regarding the economic and financial suitability of the transactions.

*Executives* responsible for the various *corporate departments* and external consultants attended meetings of the *Board of Directors*, as required, to report on specific matters.

The *Board of Statutory Auditors* has recommended that regulations for the correct functioning of the *Board of Directors* be adopted, as is best practice, and also for notifications made by the *Control and Risk Committee*.

The *Board of Statutory Auditors* acknowledges that the *Board of Directors* received adequate information from the *Chairperson*, the *Chief Executive Officer* and the *Control and Risk Committee* and that it monitored the general management of the *Company*, periodically comparing the results achieved with those in the business plan, studied and approved transactions of a material size, and was aware of the risks and consequences of any transaction undertaken, and also examined the matters that the *Board of Statutory Auditors* put to the *Board of Directors*.

On 30 January 2017, *Fondazione Fiera Milano*, as the majority shareholder of *Fiera Milano S.p.A.* requested the *Board of Directors* to include in the Agenda of the *Extraordinary Shareholders' Meeting* a request that the latter approve specific amendments to Articles 13, 14, 15, 16, 17, 18 and 20 of the *Articles of Association* of *Fiera Milano S.p.A.* The *Board of Directors* did this and has proposed to the *Extraordinary and Ordinary Shareholders' Meetings*, convened just once on 21 April 2017, that they approve the aforementioned amendments to the *Articles of Association*.

Since 10 March 2017, in compliance with Article 125-ter, paragraph 3 of the *Consolidated Finance Act*, the report on items on the Agenda of the *Extraordinary Shareholders' Meeting* has been made publicly available.

The *Board of Statutory Auditors* acknowledges that the *Board of Directors*, at its meeting on 4 November 2016, and as a consequence of the *administration order* under Article 34 of Legislative Decree 159/2011 decided temporarily to withdraw the *Company* shares from the *STAR (Segmento Titoli con Alti Requisiti di Borsa Italiana)* segment and asked *Borsa Italiana* to implement the voluntary withdrawal of the shares of the *Company* from the *STAR* segment. Since 15 November 2016, the ordinary shares of *Fiera Milano S.p.A.* have been traded on the *MTA (Mercato Telematico Azionario)*. Further information on corporate governance is given in the Report on Corporate Governance and Ownership Structure of *Fiera Milano S.p.A.* at 31 December 2016.



## Information on the overall activities of the Company and subsidiaries

The *Board of Statutory Auditors* received from the *Directors*, sometimes as a result of specific requests, at least quarterly information on the overall activities of the Company, the various sectors in which it operates, also through subsidiaries and associates, and on any material economic, financial or capital transactions. On the basis of the information flows acquired in the course of its monitoring activities, the *Board of Statutory Auditors* was able to ascertain that the actions discussed and implemented adhered to the law and to the *Company Articles of Association* and were neither manifestly imprudent or risky, created conflicts of interest or differed from the resolutions of the corporate bodies or would compromise the integrity of the corporate assets.

At the various *Board* meetings, the *Chairperson* of the *Board of Directors* and the *Chief Executive Officer* provided information on decisions taken that by their nature and their impact had to be put to the judgement and authority of the *Court-appointed Administrator* as they fell within the area of activity identified by the *Milan Court*.

The *Board of Statutory Auditors* obtained the knowledge and monitored, to the extent of their remit, that principles of correct management were followed; this was also done through information obtained directly from the various *Company* departments and from the independent *Audit Firm*, and requesting, where necessary, that specific actions be taken.

On the basis of the information acquired, it emerged that the most significant economic, financial, and capital transactions of the *Company*, also through entities in which it has direct or indirect investments, were the following:

### 1. *Ipack Ima S.r.l.*

In December 2015 *Ipack Ima S.r.l.*, had a share capital increase through the conferral of business divisions, in compliance with the relevant requirements of the *Italian Civil Code*, from *Ipack Ima S.p.A.* and *Proma-Pack S.r.l.*

As a result of these conferrals, effective from January 2016, *Fiera Milano S.p.A.*, through *Ipack Ima S.p.A.*, holds 49% of the share capital of *Ipack Ima S.r.l.*, which organises the triennial exhibition *Ipack Ima*, one of the most important exhibitions worldwide in the packaging sector.

The economic impact of the conferral of the business division was Euro 2.369 million in total, which represented the capital gain generated by *Ipack Ima S.p.A.* on the conferral of the business division.

### 2. *Fabbrica del Libro S.p.A.*

In September 2016, *Fiera Milano S.p.A.* and *Ediser S.r.l.* set up a company called *La Fabbrica del Libro S.p.A.* to develop activities connected to the historic “*Fiera del Libro*” [Book Fair] and to promote the publishing sector through exhibitions. *Fiera Milano S.p.A.* holds 51% of the share capital of *Fabbrica del Libro S.p.A.* and has undertaken to support the industrial plan of the subsidiary through a loan of maximum Euro 2 million of which Euro 1 million has already been provided.

In the first quarter of 2017, *Fabbrica del Libro S.p.A.* asked its shareholders for a capital contribution payment thereby strengthening its net equity.



The following transactions also merit a mention since they refer to foreign investments:

1. Eurofairs International Ltda

In June 2016, *Fiera Milano S.p.A.* converted the loan equal to Euro 2.893 million made previously to *Eurofairs International Ltda* into equity.

2. Limited liability company Fiera Milano

In June 2016, *Fiera Milano S.p.A.*, given the operating performance of the company, decided to waive the credit representing the loan of Euro 0.560 million given to *Limited Liability Company*.

3. Fiera Milano Exhibitions Africa

In June 2016, *Fiera Milano S.p.A.*, given the operating performance of the company, decided to waive the credit representing the loan of Euro 0.706 million given to *Fiera Milano Exhibition Africa*.

4. Worldex Fiera Milano Exhibitions Ltd

Subsequent to the end of the reporting period, *Fiera Milano S.p.A.* sold its entire shareholding of 75% in *Worldex (China)* to third-parties for Euro 2.750 million.

*Fiera Milano S.p.A.* recognised the effect of this transaction in its Financial Statements at 31 December 2016 through an impairment charge of Euro 5.128 million in its *Income Statement*.

The *Board of Statutory Auditors* wishes to point out that, among the financial transactions of *Fiera Milano S.p.A.* with *Group* companies, the loan of Euro 3.2 million given in February 2016 by the Parent Company to *Fiera Milano Media S.p.A.* to support the effects of the reorganisation and restructuring plan of the subsidiary was of particular significance.

Adequate information to permit informed decisions on all the aforementioned transactions was given in the meetings of the *Board of Directors* and the transactions have been comprehensively described in the Notes to the Financial Statements and in the *Directors' Management Report on Operations 2016*.

The *Board of Statutory Auditors* has, from time to time, made observations as part of its own opinions regarding the activities of the *Company* and of its subsidiaries, in particular, regarding structural operations having a capital and financial effect. These observations have been acknowledged by the *Board of Directors* and/or, where necessary, by the relevant *delegated corporate bodies*.

## 📍 Relations with the majority shareholder Fondazione Fiera Milano

In June 2016, effective from July 2016, *Fondazione Fiera Milano* and *Fiera Milano S.p.A.* signed a new agreement for a *current account* between the two entities for managing cash inflows and outflows. The contract expired on 31 December 2016 but is automatically renewed.

The parties settle receipts and payments under the contracts existing between them, in particular the rental payments for the exhibition sites and the services provided by each party to the other, and the account carries interest of 1-month Euribor plus a spread, currently 1.75%, which may be periodically revised by the parties.

In 2016, *Fiera Milano S.p.A.* and some of the Italian subsidiaries opted to participate in the tax consolidation of *Fondazione Fiera Milano*. This option is binding for the 2016, 2017 and 2018 financial years.



## Monitoring of relations with subsidiaries and related-party transactions

The instructions given to subsidiaries were adequate to ensure the timely fulfilment by the latter of the disclosure requirements under the law and Article 114 of the *Consolidated Finance Act*.

*Related-party* transactions were almost exclusively transactions done as part of the ordinary management of the Company and were governed by market conditions and are reported in the *Board of Directors' Management Report* and the *Notes to the Financial Statements*.

The *Control and Risk Committee* ascertained that procedures were followed: to guarantee that related-parties were identified and that transactions carried out with them were transparent and respected essential integrity and procedural correctness; to evaluate the adequacy of the limits for procedures for *related-party* transactions and of the *Organisational Instructions for Implementing the Procedure*; and to ensure that these transactions were in the corporate interest. It also monitored the adequacy of the information disclosed by the *Directors* in the *Board of Directors' Management Report* and the *Notes to the Financial Statements*.

As regards intergroup transactions, in the *Notes to the Financial Statements* and in the *Board of Directors' Management Report*, the *Directors* have disclosed the existence of commercial and financial relations among *Group* companies and has explained that these transactions were part of the ordinary management of the *Company* and were governed by market conditions.

The *Control and Risk Committee*, the *Supervisory Board* and the *Internal Control department*, also at the behest of the *Board of Statutory Auditors*, exercised appropriate control over any direction and coordination activity as required by Article 2497 and following of the *Italian Civil Code*.

In particular, the *Board of Statutory Auditors* examined and approved the document giving the key financial conditions of intergroup service contracts in the 2016 financial year and believe that the degree of analysis to identify the criteria for attributing the costs to the single companies on the basis of the services used was appropriate.

## Opinions expressed by the Board of Statutory Auditors

The *Board of Statutory Auditors* acknowledges that, from time to time, the *Board of Directors* accepted the opinion of the *Remuneration Committee* and, under Article 2389 of the *Italian Civil Code*, expressed favourable opinions on the following:

Meeting of the *Board of Directors* of 14 March 2016

- alignment of remuneration paid to corporate bodies of the Italian subsidiaries with those of the foreign companies,
- incentive scheme for members of the Board of Directors based on a stock option plan with free allocation of options,
- appraisal procedure for executives with strategic responsibilities;



## Meeting of the Board of Directors of 23 September 2016

- acknowledgement of the wish of the Board of Directors of the newly constituted company, La Fabbrica del Libro, to waive any remuneration for the first financial year ending 31 December 2017 except for the reimbursement of expenses sustained in the execution of their responsibilities. The Chairperson and Chief Executive Officer of the company also waived their rights to remuneration.

## Meeting of the Board of Directors of 10 March 2017

- decisions regarding the variable MBO (Management by Objectives) system in relation to the 2016 results.

In compliance with *Group Guidelines*, the *Board of Statutory Auditors* in the person of its Chairperson expressed a favourable opinion on the proposal of the *Committee for Remuneration*, approved by the *Board of Directors* at its meeting on 16 December 2016, for the remuneration of the corporate bodies of *Nolostand S.p.A.*

Information on the nature and amount of remuneration is provided in the *Report on Remuneration* (under Article 123-ter of Legislative Decree 58/98).

The *Board of Statutory Auditors* agreed with the proposal of the *Committee for Remuneration* and expressed its favourable opinion on the decision of the *Board of Directors*, taken on 10 March 2017, regarding the *Report on Remuneration* prepared for the 2017 *Shareholders' Meeting*.

## 📍 Transactions involving treasury shares

On 24 June 2016, the *Company* announced the start of a buy-back of shares under the mandate given by the *Shareholders' Meeting* of 28 April 2016 in order to increase the portfolio of treasury shares as part of the stock option plan. At 31 December 2016, the *Company* had acquired 294,010 treasury shares for a total value of Euro 0.464 million; at the same date, the total number of treasury shares held was 939,018 equal to 1.31 % of the share capital of the *Company*.

## 📍 Market Abuse Regulation and Protection of Savings

The *Board of Statutory Auditors* monitored compliance with the *Market Abuse Regulation and Protection of Savings* as regards corporate disclosure and *Internal Dealing* and, in particular, the use of inside information and the *Procedure for Dissemination of Press Releases and Public Disclosure of Inside Information*. The *Board of Statutory Auditors* monitored compliance with the provisions of Article 115-bis of the *Consolidated Finance Act* and of Articles 152-bis and 152-quinques of the *Regulation* governing the updating of *Insider Registers*.

The *Board of Statutory Auditors* noted that the *Company* adopted a new *Procedure for Internal Management and Public Disclosure of Inside Information* following the introduction of the *MAR (Market Abuse Regulation)*; adopted a new *Internal Dealing Procedure*; implemented updates to the *Insider Register* and is awaiting a *Consob Regulation* to amend the prevailing Regulation 11971/99 ("*Listing Rules*") following the introduction of the *MAR* before proceeding to update the *Procedure for Internal Management and Public Disclosure of Inside Information*.



## Practical implementation of corporate governance rules

With regard to the *Report on Corporate Governance and Ownership Structure*, the *Board of Statutory Auditors*, in order to comply with Article 124-ter of the *Consolidated Finance Act* and with Article 89-bis of the *Listing Rules*, wishes to state the following:

As part of its monitoring of the practical implementation of corporate governance rules, in accordance with Article 3, c. 5 of the *Self-regulatory Code*, the *Board of Statutory Auditors* verified the correct application of the criteria and procedures used by the *Board of Directors* to verify and arrive at a positive assessment of the independence of its *Directors*, both under Article 148, third paragraph of the *Consolidated Finance Act* and under the *Self-regulatory Code*, which gives greater weight to substance (a guarantee of independent judgement) than to form.

The self-appraisal process of the *Board of Directors* was done through the anonymous completion of a questionnaire by each *Director*, as required by *application criteria no.1 c.1. paragraph g) of the Self-regulatory Code*, regarding the size, composition and *modus operandi* of the *Board of Directors*, as well as the size, composition and *modus operandi* of the *Advisory Committees* within the *Board of Directors*. The results of the questionnaires were presented to the *Board of Directors* at its meeting on 24 March 2017.

The *Board of Statutory Auditors* considered the outcome of the appraisal to be substantially positive.

The appraisal was based on the same criteria that was used in the previous financial year.

## Monitoring the adequacy of the organisational structure

The *Board of Statutory Auditors* had, even prior to the imposition of the *administration order* by the *Milan Court*, noted the need for the *Fiera Milano Group* to reinforce the corporate organisation and, in particular, the *Internal Control* department, and to review, update and implement different corporate procedures with a particular focus on those governing the activities of *Company* departments with direct relations with suppliers, clients and third-parties in general.

As a consequence of these recommendations, the *Board of Statutory Auditors* would like to note that already in the period prior to the imposition of the *administration order* by the *Milan Court* the *Board of Directors* had started to review the procedures, in particular, the *procurement procedure* and has already implemented some measures and plans to introduce others that are aimed at strengthening management controls.

The *Board of Statutory Auditors* notes that the *Fiera Milano Group*, given the considerable organisational complexities of the internal structure, has turned for operational and consultancy support to third-party professionals and consultants.

The *Board of Directors* now requires that all *companies* that are subject to direction and coordination by *Fiera Milano S.p.A.* under Articles 2497 and following of the *Italian Civil Code* adopt the new procedures, and if there is good reason for them not doing so, should comply with the most important elements of the new procedures.

The *Board of Statutory Auditors* has at different times found it necessary to recommend to the outgoing *Board of Directors*, and now repeats this recommendation to the new *Board of Directors*, that it proceed swiftly and effectively to conclude in the shortest time possible the process of reorganising the organisational structure.





This should be achieved through the inclusion of experienced professional persons that would bring about the desired strengthening of the *Company* departments, in particular, the *Internal Control* department and the *Procurement* department, that is fundamental to guarantee that the award of supply and service contracts is completely transparent and that their correctness can be verified.

The *Board of Statutory Auditors*, to the extent of its remit, considers that the *administration order* imposed through the various rulings of the *Milan Court* represents a guarantee that the *Board of Directors* and the various *Committees* will implement amendments and revise the duties and operational and procedural methods of the different *Company* departments to rectify weaknesses in procedures and to strengthen controls (for example, authorisation procedures, segregation of responsibilities, control procedures to ascertain that work has been executed or to check the stage of completion of services and supplies).

## 📍 Compliance with Legislative Decree no. 231/2001

The *Board of Statutory Auditors* verified the organisational and procedural activities implemented under Legislative Decree 231/2001 for the administrative responsibility of *Entities* for crimes under the law through meetings of the *Supervisory Board*, at which the Chairperson of the *Board of Statutory Auditors* participated as a member, through joint meetings, and through the periodic reports prepared by the aforementioned *Supervisory Board* on its activities.

To the extent of its remit, the *Board of Statutory Auditors* has:

- verified the existence of the professional requirements of the members of the *Supervisory Board* as required by the *Model* under Legislative Decree 231/2001;
- checked the adequacy of the powers and financial resources given the *Supervisory Board* for the normal execution of its corporate responsibilities;
- verified that the reports received were consistent with the disclosure requirements under the *Model*;
- assessed the programme and budget of the *Supervisory Board* for the 2016 financial year;
- received the *Periodic Report for the Board of Directors and the Board of Statutory Auditors* on the activities of the *Supervisory Board* in 2016, also in the light of the provisions of the administration order for *Nolostand S.p.A.* and *Fiera Milano S.p.A.* The Report includes suggestions and recommendations on actions to be taken by the *Company* for its procedural and organisational framework.

The *Board of Statutory Auditors* acknowledges that the *Board of Directors* at its meeting on 26 February 2016 approved the update of the *Organisational, Management and Control Model* necessitated by the inclusion of additional crimes under Legislative Decree no. 186/2014 and Legislative Decree no. 68 and 69/2015, and by the changes in the organisational framework of *Fiera Milano Group* and in the proposed amendments received.

During the financial year under review, the *Board of Statutory Auditors* received from the *Supervisory Board* a report on its activities, which included: monitoring the correct functioning of information flows from the *Supervisory Boards* of subsidiary and associate *companies* with an evaluation of the contents of the annual reports of these *bodies*; examining the results of the integrity due diligence carried out on the suppliers of the *Fiera Milano Group*; periodic evaluations that the requirements under the *Model* had been met and of the information provided by the *Company* departments; examining the results of the integrity due diligence carried out on the suppliers of the *Fiera Milano Group*; an examination of any initiatives taken, if required, by *Fiera Milano S.p.A.* and its *subsidiaries* following the receipt of anonymous disclosures and verifying these to the extent required as part of its responsibilities; monitoring the conduct of *Company* departments in tenders to award contracts for the supply of services and consultancy services; constant monitoring of the measures to be adopted following the *administration order* imposed on *Fiera Milano S.p.A.* and its subsidiary *Nolostand S.p.A.* and reporting on the results of this activity in its periodic reports.



With regard to the *administration order* imposed on *Fiera Milano S.p.A.* and its subsidiary *Nolostand S.p.A.*, the *Supervisory Board*, in coordination with the *Board of Directors* and the *Control and Risk Committee*, in the financial year 2016 implemented a series of measures (some are provided above as an example) for adequate safeguards within the *Control, Management and Organisational Model* and in the body of corporate procedures that are aimed at rectifying the critical situations that emerged from the investigations carried out by the *Public Prosecutor* of the *Milan Court* and thereby avoiding any infiltration by *Persons* that could perpetrate criminal acts, in particular those under Articles 146-*bis* and 648-*bis* of the Penal Code.

## 📍 Legislation governing data protection

During the financial year under review, the *Fiera Milano Group* updated its security practices to guarantee an adequate level of personal data protection under the provisions of the *Data Protection Code* (Legislative Decree 196/2003) and of the *Provisions* issued by the *Data Protection Authority*.

## 📍 Assessment of the adequacy of the internal control system

The *Board of Statutory Auditors* has the responsibility of monitoring and assessing the adequacy of the *Internal Control System* and its compliance with the *Self-regulatory Code* and, in general, that it adheres to best practice both in terms of structure and operation.

The presence of a member of the *Board of Statutory Auditors* at all meetings of the *Control and Risk Committee* ensured the timely exchange of information necessary for both bodies to carry out their roles; it also ensured oversight of the *Control and Risk Committee* as required of the *Board of Statutory Auditors* under Article 19 of Legislative Decree no. 39/2010, and of the accounting audit and, in particular, ensured that the financial information process and the efficacy of the internal control systems, the internal audit, and risk management were monitored.

The *Board of Statutory Auditors* declares that it monitored the most important activities of the internal control and risk management systems through its attendance at meetings of the *Control and Risk Committee* and the *Committee for Remuneration* and by studying the reports prepared by the *Internal Audit* department.

Periodic meetings with the *Head of Internal Audit* and the *Manager responsible for preparing the Company accounts* and an analysis of the reports prepared by these persons on their activities allowed the *Board of Statutory Auditors* to monitor the financial information process and the efficacy of the internal control systems and the internal audit and risk management, as required by Article 19 of Legislative Decree 39/2010.

As part of this activity the *Board of Statutory Auditors* examined, in particular:

- the *Audit Plan* of activities scheduled for the financial year;
- the periodic reports prepared by the *Control and Risk Committee* and the *Head of Internal Audit* on their activities;
- the reports prepared at the end of the evaluation and monitoring process by the *Head of Internal Audit* with the relative results, recommendations and follow up;
- the quarterly updates on the risk management process, the results of the monitoring and assessment activities of the *Internal Audit* department.

The *Board of Statutory Auditors* expressed a favourable opinion, as required by the *Self-regulatory Code*, on the resources allocated in the budget to the *Internal Audit* department. This opinion was expressed on the total resources, both internal and external, allocated to this department. In its assessments the *Board of Statutory*



*Auditors* recommended that the number of persons working in this department, currently dependent on external resources, be increased.

On the matter of risk management, the *Board of Statutory Auditors* ascertained that the *Control and Risk Committee* had carried out its required responsibilities of managing the main risks to which the Company is exposed.

The *Board of Statutory Auditors* examined and agreed with the *Control and Risk Committee* proposals to be put to the *Board of Directors* for updating the *corporate governance* procedures.

As already described in this Report, the *Milan Court* issued a court *administration order* and then extended it judging that the organisation of the *Company* and of the subsidiary *Nolostand S.p.A.* did not provide adequate structural safeguards, including procedures and compliance policies, to prevent criminal infiltration by third-parties.

The *Board of Directors* implemented and/or scheduled a series of initiatives to deal with the critical situations in the *Internal Control* system that were identified by the *Court-appointed Administrator*. The *Milan Court* judged that this improvement process had not been completed during the financial year under review and consequently with its ruling of 27 January 2017 extended the *administration order* and also expanded it to cover all *Company* functions in certain sectors/powers. With the ruling of 28 March 2017 it extended the *administration order* for a further six months.

In order to carry out the additional responsibilities given him by the *Milan Court*, on 27 January 2017, the *Court-appointed Administrator* chose *PricewaterhouseCoopers Advisory S.p.A. Forensics Services* as the consultant he wished to use for the functional analyses to test the restructured organisational model of *Fiera Milano S.p.A.*

On 7 February 2017, the *Milan Court* authorised the appointment of the aforementioned *consultant* and the *Board of Directors* prepared a specific contract for the designated *consultant* which, *inter alia*, specified that the work under the contract should be completed by 30 June 2017.

At its meeting on 24 March 2017, the *Board of Directors* examined and approved the *procedure for the procurement of goods and services*, the *procurement cycle procedure*, the *procedure for consultants and collaborators*, the *qualification procedure for suppliers*, the *integrity due diligence procedure*, the *operating procedure for stand-fitting sales*, the *procedure to manage recommendations for suppliers made by clients*, and the *catering procedure*.

Following the approval of the Board of Directors, the aforementioned new procedures, which are currently being implemented, have been added to those that had been updated and amended during 2016, which were: the *Management Policy for Whistleblowing Disclosures, including anonymous disclosures, received by Fiera Milano S.p.A. and its subsidiaries in Italy*, the *procedure for managing inside information*, and the *internal dealing procedure*.

At the date of the present Report, the *Company* is awaiting the report of the *Court-appointed Administrator* on the adoption of these procedures.

## Assessment of the adequacy of the administrative and accounting system

Regarding assessment of the adequacy of the administrative and accounting system and its reliability to provide a true and fair view of the management of the business, the *Board of Statutory Auditors* declares that it received adequate information on the monitoring of the corporate processes of the administrative and accounting system and on the *Internal Control* system carried out during the year both for the periodic management reports and for the preliminary phase of preparation of the Financial Statements, to ensure that the obligations of supervision and monitoring that *Fiera Milano S.p.A.* is subject to under Legislative Decree 262/05 were fulfilled.



The *Board of Statutory Auditors* examined the work of the *Manager responsible for preparing the Company accounts* in accordance with the *Model* under Law 262/2005, the risk assessment process and the tests on the areas identified as requiring improvement and acknowledged the outcomes of the tests made on the control procedures and the schedule of activities planned.

The adequacy of the administrative and accounting procedures was verified also through information acquired from the managers of the various departments and through the analyses of the results of the work done on the procedures and on the impact these had on the financial information.

The *Board of Statutory Auditors* with appropriate assistance continued the work started in 2015 to examine the Company cycle of receivables and payables and reported its results to the *Control and Risk Committee*.

There are no critical issues or impediments to the release of the declaration by the *Manager responsible for preparing the company accounts* and the *Chairperson of the Board of Directors (pro tempore)* regarding the adequacy of the administrative and accounting procedures employed in preparing the *Financial Statements of Fiera Milano S.p.A.* and the *Consolidated Financial Statements* for the 2016 financial year.

The *Board of Statutory Auditors*, also through the use of information provided by the *Audit Firm*, monitored that the preparation and publication, as well as the format, of the *Half-year Accounts* and of the *Interim Financial Statements* adhered to the relevant regulations and complied with the accounting standards.

The *Board of Statutory Auditors*, also through the presence of some of its members on the Boards of Statutory Auditors of the subsidiaries, monitored that the instructions given to the subsidiaries by *Fiera Milano S.p.A.* were adequate as regards the data flows required to prepare the *Financial Statements* and the *Interim Financial Statements*.

The *Board of Statutory Auditors* reports that on 16 December 2016 the *Board of Directors* of the *Company*, having noted the changes made to the *Listing Rules* by Consob Resolution no. 19770 on interim management reporting, decided to continue to prepare and publish the quarterly reports in the same way as previously and specifically made public its decision.

As described on page 61 of the *Board of Directors' Management Report* in the *Financial Statements* at 31 December 2016, the *Company* is introducing measures to comply with the law governing non-financial disclosures, which must be adopted from the start of the 2017 financial year.

The Legislative Decree no. 254 of 30 December 2016 that incorporates the *Directive 2014/95/EU* (known as the "*Barnier Directive*") makes it mandatory to disclose non-financial information for certain large undertakings and public entities, defined by certain parameters that include an average number of employees that exceeds 500 persons on a consolidated basis.

Non-financial disclosure for these entities is mandatory from the 2017 financial year. *Fiera Milano Group*, also to meet this imminent requirement, has in recent years involved numerous *Company* departments in the preparation of *Reports on Sustainability* for the financial years 2015 and 2016.

The non-financial disclosure in the *2016 Report on Sustainability* was subject to certain internal verification procedures using a selection of indicators depending on the subject covered and the reporting requirements under Legislative Decree 254/2016.

As part of its responsibilities, the *Board of Statutory Auditors* will monitor the internal process for preparing the non-financial disclosures.



## 📍 Omissions or reprehensible actions

Following the monitoring and control activities carried out in the financial year under review, the *Board of Statutory Auditors* can state that:

- in the course of its activities no omissions, irregularities, reprehensible actions or matters of significance emerged that needed to be reported to the corporate bodies or included in the present Report;
- on 12 October 2016, the *Board of Statutory Auditors* received a complaint under Article 2408 of the *Italian Civil Code* from one of the shareholders owning one share. The complaint was made following the publication of an article in the daily paper “*Il Fatto quotidiano*” on 11 October 2016, about an enquiry being conducted by the *Milan Court* regarding the mafia and bribes and relating to the events involving *Nolostand S.p.A.* and that also involved the Parent Company *Fiera Milano S.p.A.*

The *Board of Statutory Auditors*, for the sake of completeness, promptly brought the disclosure to the attention of the *Court-appointed Administrator*. As far as the *Board of Statutory Auditors* is aware, as regards criminal and personal liability for omissive, intentional or negligent behaviour relating to the circumstances of the *administration orders*, there are no specific liabilities that have not been the object of committal proceedings. The current enquiries by the magistrates have meant that a more detailed analyses could not be made by the *Board of Statutory Auditors*, which would have found itself acting outside its normal remit.

With regard to the adequacy of the systems of safeguards covering specific reprehensible actions, the Board of Directors has prepared a summary table, which shows that for every weakness in the systems of safeguards there exists one or more previous communications made to the relevant bodies/departments. The communications from the *Board of Statutory Auditors* are always detailed and are the result of in-depth tests carried out as part of normal monitoring and not just as part of special investigative processes.

- no transactions were identified with third-parties, intergroup and/or with related-parties that could be considered atypical or unusual because of their content, nature, size and timing.

During the financial year under review, the *Company* received, and passed on to the *Board of Statutory Auditors* several anonymous disclosures regarding facts and persons that were notified to the *Milan prosecutor*.

The *Company* informed the *Authorities* carrying out the investigations of the anonymous reports.

In November 2016, the *Board of Directors* approved the adoption of a *Management Policy for Whistleblowing Disclosures* that currently governs the procedure for such disclosures, the relevant corporate bodies and relevant information flows.

## 📍 Monitoring the legal audit of the Financial Statements

During the financial year under review, regular meetings were held with the independent *Audit Firm*, both formal meetings at which the administrative executives of the *Company* were present and informal meetings between individual members of the *Board of Statutory Auditors* and representatives of the *Audit Firm*, to have a reciprocal exchange of relevant data and information as required under Article 150 of the *Consolidated Finance Act*. There was always maximum collaboration between the parties – also regarding the preparatory activity for the *Annual Financial Statements* and no problematic issues arose that are worthy of mention.

As required by Article 19 of Legislative Decree 39/2010, in which the *Board of Statutory Auditors* is considered the *Committee for Internal Control and Audit*, the *Audit Firm* presented the *2016 Audit Plan* to the *Board of Statutory Auditors*.



On 30 March 2017, the independent *Audit Firm* sent the *Board of Statutory Auditors*, as the *Committee for Internal Control and Audit* under Article 190 of Legislative Decree 39/2010 the report on the key issues that emerged from the legal audit; this indicated no significant failings in the *Internal Audit* for the financial information process. The *Board of Statutory Auditors* expressed a favourable opinion on the results described in the report, as required under Article 7.C.1, letter e) of the *Self-regulatory Code*.

Given the “*Annual Transparency Report*” prepared by *E&Y S.p.A.*, published on its website and given to the *Board of Statutory Auditors*, the formal confirmation of its independence provided by the aforementioned *company*, and the notification of the assignments given it and the entities linked to it by *Fiera Milano S.p.A.* and its *subsidiaries*, and having ascertained that no tasks were assigned the firm that could compromise the independence of the *Audit Firm* under Article 17 of Legislative Decree 39/2010, the *Board of Statutory Auditors* does not believe there are any problematic issues regarding the independent status of *E&Y S.p.A.*

### 📍 Further assignments for the legal audit of the accounts given to E&Y

The *Audit Firm E&Y S.p.A.* was paid a total of Euro 265,000 for the complete audit of the *Financial Statements* and the *Consolidated Financial Statements* and a limited audit of the Half-year Financial Statements of which:

- Legal audit  
Euro 189.000;
- Adoption of *IFRS 15* and new standards from the *Italian Accounting Board (OIC)*  
Euro 40.000;
- Increase in legal audit fee due to increased complexity  
Euro 36.000.

### 📍 Additional assignments given to E&Y

A total of Euro 78,000 was paid by *Fiera Milano S.p.A.* to *E&Y S.p.A.* for additional assignments:

- agreed *audits* of regular reports  
Euro 58.000;

and to entities that are part of the same network:

- consultancy services for the *Sustainability Report*  
Euro 20.000.

The *Board of Statutory Auditors* believes that the increase in the remuneration requested by *E&Y S.p.A.* under the contractual terms of the original proposal, was consistent with the number of hours worked.

The *Board of Statutory Auditors* examined the proposals received from *E&Y S.p.A.* for the supply of professional and consultancy services and verified that these activities were not incompatible with that of the legal audit under Article 160 of the *Listing Rules*, as confirmed by *Consob* in the document “*Outcome of the Consultation*” of 4 May 2007.



Furthermore, Article 5 of the *European Regulation* (adopted with Article 17 of Legislative Decree 139/2010 and amended by Legislative Decree of 17 July 2016 no. 135) requires that the *Board of Statutory Auditors* approves any non-audit services provided by the *Audit Firm* or by entities that are part of the same network. Although this provision is applicable from 2017 the *Audit Firm* asked for prior approval from the *Board of Statutory Auditors*. Therefore, the *Board of Statutory Auditors* verified the compatibility of the services provided under Article 5 of the *European Regulation* and found no incompatibility.

In the interests of providing complete information, *Fiera Milano S.p.A.* and its *subsidiaries* gave auditing assignments to *E&Y S.p.A.* and to *entities* linked to it for a total of Euro 414,000 and further assignments that were not related to the audit of the accounts for a total of Euro 118,000. These were for:

- agreed *audit* services for the interim reports  
Euro 88.000=;
- other professional services relating to occupational health and safety, environmental and safety laws  
Euro 30.000=.

## 📍 Changes to the area of the audit

*E&Y S.p.A.* informed the *Board of Statutory Auditors* that the audit activities had been prolonged due to the increased complexity of the mandate following the imposition of the *administration order*. The *administration order* had resulted in an increased level of risk to the areas to be audited and, consequently, required more in-depth audit tests.

*E&Y S.p.A.* requested a further Euro 36,000 in remuneration given the increased resources used for the audit. This was approved by the *Board of Statutory Auditors*.

## 📍 Monitoring of the Full-year Financial Statements and the Consolidated Full-year Financial Statements

Regarding the *Full-year Financial Statements* and the *Consolidated Full-year Financial Statements at 31 December 2016*, the following should be noted:

The *Board of Statutory Auditors* ascertained, through direct verification and through information received from *E&Y S.p.A.* that the legal requirements governing the form and preparation of the *Financial Statements*, the *Board of Directors' Management Report* and the tables have been met, and certifies the correct use of the accounting standards described in the *Notes to the Financial Statements* and in the *Board of Directors' Management Report*.

In accordance with *Consob Resolution* no. 15519/2006 the effect of related-party transactions is clearly shown in the tables of the *Financial Statements*.

The *Notes to the Financial Statements* provide the information on impairment of assets required under *International Accounting Standards*. The *Board of Directors* at its meeting on 3 March 2017, formally recognised that the impairment tests complied with the requirements of *IAS 36* and of *Banca d'Italia/Consob/Isvap Document no. 4 of 3 March 2010*. This was done independently and prior to approval of the *Financial Statements* as recommended by the aforementioned *Document*. The *Board of Statutory Auditors* states that it analysed and discussed in a joint meeting with the *Control and Risk Committee* the supporting documentation and verified that the methodologies were consistent with those used previously. It believes that the procedures were correct and that the main valuation assumptions used were reasonable and, therefore, agreed with the outcomes.



The *Board of Statutory Auditors* wishes to point out that the results of the impairment tests had a material impact on the financial results and led to strategic appraisals being carried out by the *Board of Directors*.

The *Board of Statutory Auditors* also points out that the impairment of intangible assets are the consequence, amongst other matters, of:

- *revised business plans* for the coming financial years for some of the companies in the *Fiera Milano Group* that led to a reduction in the expected gross operating profit of some investments and in that of the whole *Group*; this resulted in a lower recoverable value and had a material effect on the valuation of investments and of goodwill;
- the period for which the gross operating profit was used to calculate the terminal value was extended from two financial years to four financial years.

The Financial Statements reflect the facts and information of which the *Board of Statutory Auditors* became aware during the exercise of its monitoring responsibilities and through its control and inspection powers.

The *Chairperson* of the *Board of Directors* and the *Manager responsible for preparing the company accounts* have released the declaration under Article 81-ter of *Consob Resolution* no. 11971/1999 and subsequent amendments and modifications and of Article 154-bis of the *Consolidated Finance Act*.

The *Board of Directors' Management Report* meets the requirements of law and is consistent with the figures and information in the Financial Statements; it provides wide-ranging information on the activities and material transactions of which the *Board of Statutory Auditors* was duly made aware, as well as the main risks to which the *Company* and the *subsidiaries* are exposed, on intergroup and related-party transactions, and also on changes to the corporate organisation to meet the corporate governance requirements, in accordance with the *Self-regulatory Code* governing listed companies.

In accordance with Article 123-ter of the *Consolidated Finance Act*, the *Report on Remuneration*, the preparation and form of which were studied and approved by the *Board of Statutory Auditors* in a joint meeting with the *Control and Risk Committee*, is presented to the *Shareholders' Meeting*.

On 30 March 2017, the *Audit Firm* released its report in accordance with Articles 14 and 16 of Legislative Decree 39/2010; this states that the *Financial Statements* and the *Consolidated Financial Statements at 31 December 2016* conform to the *International Accounting Standards – IFRS* – adopted by the *European Union* and to the provisions of Article 9 of Legislative Decree no. 38/2005, have been prepared with clarity and represent a true and fair view of the *capital and financial situation*, the financial results and the cash flows for the financial period ending on that date.

The *audit report* comments on the congruence of the Financial Statements of the *Company* and the Consolidated Financial Statements of the *Group* with the *Board of Directors' Management Report* and the information given in the *Report on Corporate Governance and Ownership Structure* as required under Article 123-bis of the *Consolidated Finance Act*.

Except for the contents of the present Report, the *Board of Statutory Auditors* has no comments to make about the approval of the *Financial Statements at 31 December 2016* and the proposal of the *Board of Directors* as expressed in the *Board of Directors' Management Report*.

Milan, 30 March 2017

The *Board of Statutory Auditors*

**The Board of Statutory Auditors**

Ms Federica Palmira Nolli

Mr Antonio Guastoni

Mr Carmine Pallino





# Independent Auditors' Report



EY S.p.A.  
Via Meravigli, 12  
20123 Milano

Tel: +39 02 722121  
Fax: +39 02 722122037  
ey.com

Independent auditor's report  
in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010  
(Translation from the original Italian text)

To the Shareholders of Fiera Milano S.p.A

## Report on the financial statements

We have audited the accompanying financial statements of Fiera Milano S.p.A., which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Directors' responsibility for the financial statements*

The Directors of Fiera Milano S.p.A. are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the 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 Fiera Milano S.p.A. as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

EY S.p.A.  
Sede Legale: Via Po, 32 - 00198 Roma  
Capitale Sociale deliberato Euro 3.250.000,00 sottoscritto e versato Euro 2.950.000,00 i.v.  
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*Emphasis of matter*

We draw attention:

- a) on point 4. "Other risks" of the Management Report and on note 45. "Other information – Administration orders and Significant events after the end of the reporting period" of the Explanatory and Supplementary Notes to the financial statements which describes the preventive measures notified by the Milan Tribunal to Nolostand S.p.A. and Fiera Milano S.p.A.;
- b) on note 44. "Related- party transactions" of the Explanatory and Supplementary Notes to the financial statements which describes the significant transactions carried out with related parties.

Our conclusion is not modified in respect of these matters.

Report on other legal and regulatory requirements

*Opinion on the consistency of the Management Report and of specific information of the Report on Corporate Governance and Ownership Structure with the financial statements*

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Management Report and of specific information of the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the financial statements. The Directors of Fiera Milano S.p.A. are responsible for the preparation of the Management Report and of the Report on Corporate Governance and Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Management Report and the specific information of the Report on Corporate Governance and the Ownership Structure are consistent with the financial statements of Fiera Milano S.p.A. as at 31 December 2016.

Milano, 30 March 2017

EY S.p.A.

Signed by: Federico Lodrini, Partner

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



## Resolutions passed by the Ordinary Meeting of Shareholders

The Ordinary Shareholders' Meeting held on 21 April 2017 in Rho (Milan) at the Auditorium of the Centro Servizi of the Exhibition Site, Strada Statale del Sempione no. 28,

### passed a resolution

- 1)
  - to approve the Financial Statements for the year to 31 December 2016, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the relative explanatory and supplementary notes to the financial statements that show a net loss of Euro 25,159,578.92 as presented by the Board of Directors in its entirety, and each individual item with the proposed allocations, as well as the Board of Directors' Management Report;
  - to cover the net loss of Euro 25,159,578.92 for the financial year by using the share premium reserve;
  - to cover the residual losses of the preceding financial year of Euro 154,268.60 by using the share premium reserve.
- 2)
  - to establish eight as being the number of members of the Board of Directors and the term of office as being three years, therefore until the approval of the financial statements for the financial year ending on 31 December 2019;
  - to appoint Directors the following persons with no exemption to the non-competition clause in Article 2390 of the Italian Civil Code:
    - Lorenzo Caprio, as Chairperson
    - Alberto Baldan
    - Francesca Golfetto
    - Stefania Chiaruttini
    - Marina Natale
    - Elena Vasco
    - Gianpietro Corbari
    - Angelo Meregalli
  - to determine the remuneration payable to the Board of Directors as follows: (i) fixed annual remuneration for the Chairperson of Board of Directors of Euro 107,000; (ii) fixed annual remuneration for each Board Director of Euro 35,000, for a maximum total of Euro 245,000, both (i) and (ii) hypothesis pro rata temporis and (iii) an attendance fee of Euro 350.00 for each Board meeting attended by the same and also reimbursement of any documented expenses incurred in carrying out his/her role.
- 3)
  - to approve the Report on Remuneration pursuant to Article 123-ter of Legislative Decree 58/98 and, in particular, Section One of the Report.



4)

- to cancel the authority to buy back and dispose of treasury shares approved by the Ordinary Shareholders' Meeting of 28 April 2016;
- to authorise the Board of Directors, in accordance with and by effect of Article 2357 and following of the Italian Civil Code, to buy back shares of the Company, in the amount, at the price, and according to the procedures described below:
  - that purchases may be made in one or more tranches up to 18 months from the date of the present resolution;
  - that the purchase price of each share is no higher than the higher of the price of the most recent independent transaction and the current highest independent offer price in the market where the acquisition transaction is done subject to the unit price of the shares being no higher than 10% and no lower than 10% of the reference price recorded by Fiera Milano shares on the Italian stock exchange (MTA – Mercato Telematico Azionario) organised and managed by Borsa Italiana SpA in the trading session preceding each individual transaction;
  - that the maximum number of shares purchased, including treasury shares already held by the Company and its subsidiaries, must not have a total nominal value that exceeds one fifth of the share capital;
  - that purchases of treasury shares may be made in one or more tranches, in compliance with applicable laws and regulations including the market procedures recognised by Consob. The buyback of treasury shares must be made respecting the provisions of Article 3 of Regulation 1052 and the applicable provisions of the Italian Civil Code and in such a way as to ensure equal treatment for all shareholders in accordance with Article 132 of Legislative Decree no. 58/1998, exclusively in the following ways:
    - i. public offer to buy or exchange;
    - ii. on regulated markets in accordance with the operating procedures established by the rules for the organisation and management of said markets, which do not allow the direct matching of buy orders with sell orders at a predetermined price;
    - iii. purchase and sale of derivative instruments traded on regulated markets that provide for the physical delivery of underlying shares, on the condition that the rules of organisation and management of the market provide for procedures that comply with those provided in article 144-bis, paragraph 1, section c) of the Listing Rules;
- to authorise the Board of Directors under enacted law to dispose of part or all of the shares with no time restrictions even before the buyback authority has been exhausted; the disposals may be made through sales on regulated and/or unregulated markets or off market, or by public offer, or as consideration for the purchase of shareholdings or by way of a distribution to shareholders. The selling price must be no lower than that of the lowest purchase price. This price limit will not be applicable in the event the shares are disposed of as part of a stock option plan;
- to grant the Board of Directors and, acting on its behalf, the appointed Chairperson and Chief Executive Officer, jointly and severally, any necessary power to make purchases or disposals and, however, to implement the aforementioned resolutions, also through agents, complying with any eventual request from the competent authorities.



**Fiera Milano S.p.A.**

Registered offices: Piazzale Carlo Magno, 1 – 20149 Milan, Italy

Operational and administrative headquarters: Strada Statale del Sempione, 28 – 20017 Rho (Milan) Italy

Share capital: Euro 42,445,141.00 fully paid up

Companies Register, Tax code and VAT no. 13194800150

Economic Administrative Register 1623812

**April 2017**

This document is available in the Investor Relations section of the Company website [www.fieramilano.it/en](http://www.fieramilano.it/en)

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This book is printed on FSC forest friendly paper.  
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The first part of the document discusses the importance of maintaining accurate records of all transactions. This includes not only sales and purchases but also the flow of cash and the collection of receivables. It is essential to ensure that all entries are supported by proper documentation, such as invoices and receipts, to avoid any discrepancies or errors.

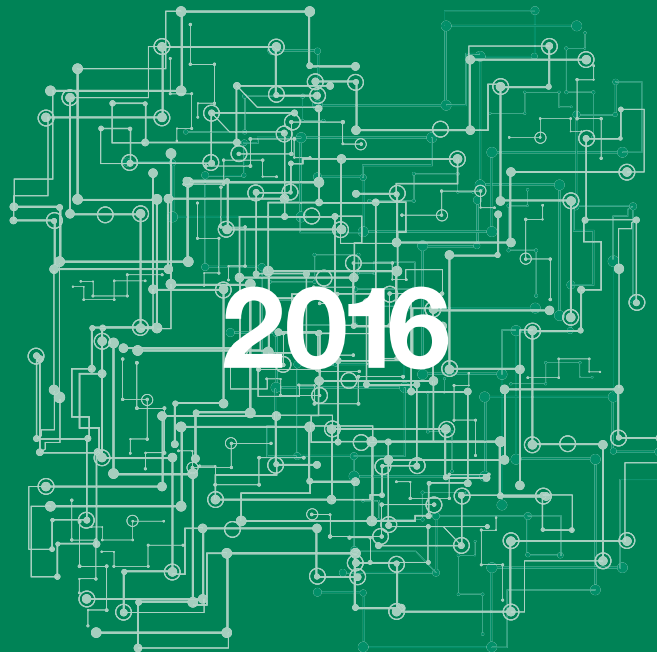
In addition, the document highlights the need for regular reconciliation of the accounts. This process involves comparing the internal records with the bank statements and other external sources to identify any differences. By doing so, the company can detect and correct any mistakes promptly, ensuring the integrity of the financial data.

Furthermore, the document emphasizes the significance of maintaining a clear and organized system for recording transactions. This can be achieved by using a consistent format and labeling all entries appropriately. It is also recommended to review the records periodically to identify any trends or areas that require further attention.

Overall, the document provides a comprehensive overview of the key principles and practices for effective financial record-keeping. By following these guidelines, the company can ensure that its financial statements are accurate, reliable, and reflective of its true financial position.



**FIERA MILANO**



Freephone number: 800820029  
Phone +39 02 4997.1  
Fax +39 02 4997.7379  
email: [feramilano@feramilano.it](mailto:feramilano@feramilano.it)