

DEA CAPITAL S.p.A.

ANNUAL REPORT AT 31 DECEMBER 2016

DEA CAPITAL

DEA CAPITAL S.p.A.

Registered Office at Via Brera, 21 - 20121 Milan

Share Capital of Euro 306,612,100 fully paid up

Tax Code, VAT reg. no. and Milan Register of Companies no. 07918170015



**NOTICE OF
SHAREHOLDERS'
MEETING**

DEA CAPITAL S.p.A.

Registered Office at Via Brera 21, 20121 Milan
Share capital of EUR 306,612,100, fully paid up
Tax Code, VAT reg. no. and Milan Register of Companies no. 07918170015, Milan
REA (Administrative Economic Register) 1833926
Company subject to the management and co-ordination of De Agostini S.p.A..

NOTICE OF SHAREHOLDERS' MEETING

All eligible persons are invited to attend the Ordinary Shareholders' Meeting to be held at Spazio Chiossetto, Via Chiossetto 20, Milan:

- at 10 a.m. on Thursday, 20 April 2017, on first call
- at 10 a.m. on Friday, 21 April 2017, on second call

to discuss and resolve on the following

AGENDA

- 1. Approval of the Annual Financial Statements for the year ending 31 December 2016. Related and consequent resolutions. Presentation of the Consolidated Financial Statements of the Group headed by DeA Capital S.p.A. for the Year Ending 31 December 2016;**
- 2. Authorisation to buy and sell treasury shares. Related and consequent resolutions;**
- 3. Approval of a performance share plan reserved for certain employees and/or directors with specific duties of DeA Capital S.p.A., its subsidiaries and parent company. Related and consequent resolutions;**
- 4. Presentation of the DeA Capital S.p.A. Remuneration Report and advisory vote by the shareholders' meeting on the Remuneration Policy of DeA Capital S.p.A. (section I of the Remuneration Report), in accordance with art. 123-ter of Legislative Decree 58 of 24 February 1998, as subsequently amended and supplemented.**

* * *

Presentation of proposals for resolution/addition to the agenda

Shareholders who, individually or jointly, represent at least 2.5% of the share capital may submit a request, within ten days of this notice being published (i.e. by 31 March 2017), for items to be incorporated into the meeting agenda, indicating on the request the topics suggested, and may also submit proposals for resolutions concerning items already on the agenda.

The request, together with the share ownership certificate issued, pursuant to the regulations in force, by the authorised intermediaries holding the ledgers in which the shareholders' shares are registered, must be submitted in writing, by hand or by recorded delivery and by the above deadline, to the Company's registered office, for the attention of the Investor Relations department, or sent by email to the address deacapital@legalmail.it, together with information confirming the identity of the shareholders submitting the request (a contact telephone number should also be provided). Shareholders submitting such requests must also provide, by the same deadline and by the same means, a report setting out the reasons for the proposals for resolution/addition to the agenda of the new items or the reasons for the additional proposals for resolution relating to items already on the agenda. The Company is responsible for notifying shareholders of the addition to the meeting agenda of any new items or additional proposals relating to existing items, in the same form as for the publication of this notice of shareholders' meeting, at least fifteen days before the scheduled first-call meeting date. At the same time as the publication of the notice confirming the addition to the agenda of new items or additional proposals for resolution on existing items, said proposals for addition/resolution, together with the corresponding reports submitted by the shareholders concerned and any opinion of the Board of Directors, must be made public pursuant to art. 125-ter, para. 1, of Legislative Decree 58/1998.

With the exception of proposals relating to the issues listed in art. 125-ter, para. 1, of Legislative Decree 58/1998, no additions may be made to the agenda if they relate to matters which, by law, must be decided by the shareholders' meeting on the proposal of the Board of Directors or on the basis of a plan or report prepared by same.

Right to ask questions about items on the agenda

Those who are entitled to vote may raise questions about items on the agenda, including in advance of the meeting. Any questions, together with the share ownership certificate issued, pursuant to the regulations in force, by the authorised intermediaries holding the ledgers in which shareholders' shares are registered, must be sent to the Company's registered office (see the section "Registered Office" in this notice) for the attention of the Investor Relations department, by recorded-delivery letter, by fax to the number +39 02 62499599, or by email to the address ir@deacapital.it. Questions must be received by the Company before close of business on the third day before the scheduled meeting date (i.e. by **17 April 2017**).

Provided that questions are received before the meeting and by the requisite deadline, a response will be provided, at the latest, during the meeting itself; a response is deemed to have been provided at a meeting if it is made available, on paper, to each of those entitled to vote at the start of the meeting. The Company may provide a single response to questions with the same content. The Company also reserves the right to provide the information requested by any questions received prior to the shareholders' meeting by displaying it on a dedicated "Questions and Answers" page which can be accessed through the Company's website www.deacapital.it (Corporate Governance/Shareholders' Meetings). Where this is the case, no response need be given at the meeting.

Entitlement to take part in shareholders' meetings

Shareholders are eligible to take part in shareholders' meetings if they are registered as holding voting rights on the record date – i.e. by the close of business on the seventh trading day before the date scheduled for the first-call meeting (**7 April 2017**) – and if the requisite statement has been received by the Company from the authorised intermediary. Individuals who only become shareholders after that date will not be entitled to take part or vote in the shareholders' meeting.

The statement by the authorised intermediary referred to above must be received by the Company before close of business on the third trading day prior to the date scheduled for the first-call meeting. If the statement is received by the Company after this date, shareholders will, however, still be entitled to take part in the meeting and vote provided the statement is received before the start of the first-call meeting. As a reminder, the statement is communicated to the Company by the authorised intermediary at the request of the individual holding the voting right.

Representation in meetings

All those entitled to take part in a meeting may appoint a representative by issuing a written proxy in accordance with the statutory and regulatory provisions in force. In this regard, it should be noted that a proxy may be granted with an electronically signed digital document, as defined in art. 135-novies, para. 6 of Legislative Decree 58/1998, and that the proxy letter template provided at www.deacapital.it may be used for this purpose. The proxy may be sent to the Company by recorded delivery to the Company's registered office or by email to the Company's certified email address deacapital@pecserviziottitoli.it.

The proxy holder may deliver or send a copy of the proxy to the Company instead of the original, certifying on his/her own responsibility that it is a true copy and confirming the proxy-giver's identity. Any advance notification does not release the proxy holder from the obligation to certify that the proxy is a true copy and to attest to the identity of the proxy-giver when he/she confirms his/her eligibility to take part in the shareholders' meeting.

Designated proxy holder

Proxies, with voting instructions for the items on the agenda, may be granted to Computershare S.p.A., which has its registered office at Via Lorenzo Mascheroni 19, Milan 20145, duly designated by the Company for this purpose, in accordance with art. 135-*undecies* of Legislative Decree 58/1998; a printable version of the relevant form to be signed may be downloaded from the website www.deacapital.it (under Corporate Governance/Shareholders' Meetings) or obtained from the Company's registered office or the registered office of Computershare S.p.A. The original of the proxy form, with voting instructions, must be received by Computershare S.p.A., Via Lorenzo Mascheroni 19, Milan 20145, by close of business on the penultimate trading day before the date of the first-call meeting or the date of the second-call meeting (i.e. by **18 April 2017** for the first-call meeting or by **19 April 2017** for the second-call meeting). A copy of the proxy form may be sent in advance to the designated proxy holder by the above-mentioned deadlines by fax to +39 (0)2 46776850, or attached to an email sent to the address ufficiomilano@pecserviziottitoli.it. The proxy is valid solely in respect of those items for which voting instructions are given. Proxies and voting instructions may be revoked by the deadlines specified above. Note that the statement to be communicated to the Company by the authorised intermediary, confirming the shareholder's eligibility to take part and exercise voting rights in the shareholders' meeting, is also required if a proxy is granted to the designated proxy holder. By law, shares for which a proxy is granted, whether in full or in part, are taken into account in determining whether the shareholders' meeting is duly constituted, although proxies without voting instructions do not count for the purposes of calculating the majority and quorum required to pass resolutions. Details of the proxies granted to Computershare S.p.A. (which can be contacted for any queries by telephone on +39 (0)2 46776811) are also available on the relevant proxy-letter template mentioned above.

Share capital and voting shares

The share capital is EUR 306,612,100 divided into 306,612,100 ordinary shares, each with a par value of EUR 1.00. Each ordinary share carries voting rights at the shareholders' meeting (except ordinary treasury shares, which on 9 March 2017 totalled 45,856,920, on which voting rights are suspended in accordance with the law).

Documentation and information

Please note that documentation relating to the items on the agenda that is required by law or under regulatory provisions will be made available to the public at the Company's registered office and published on the Company's website at www.deacapital.it (under Corporate Governance/Shareholders' Meetings) and on the approved storage site www.1info.it, as well as by the means and under the terms and conditions laid down in the regulations in force; shareholders and other parties entitled to take part in shareholders' meetings may obtain copies of this documentation. The following, in particular, will be made available to the public:

- from today, at the same time as the publication of this notice, the Directors' Report on items 1 and 3 and the information document required pursuant to art. 84-bis of the Consob Issuer Regulation 11971;
- from 30 March 2017, the financial report and other documents referred to in art. 154-ter of Legislative Decree 58/1998 and the Remuneration Report, as well as the Directors' Report on item 2 of the agenda.

All eligible persons have the right to read and, on request, obtain a copy thereof.

This notice is published, pursuant to art. 125-bis of Legislative Decree 58/1998, on the Company's website (www.deacapital.it), according to the other procedures provided for under existing legislation, and as an excerpt in the newspaper Milano Finanza.

Milan, 21 March 2017

For the Board of Directors

The Chairman

(Lorenzo Pellicoli)



CORPORATE BOARDS AND CONTROLLING STRUCTURE

Corporate information

DeA Capital S.p.A. is subject to the management and coordination of De Agostini S.p.A.
Registered office: Via Brera 21, Milan 20121, Italy

Share capital: EUR 306,612,100 (fully paid up), comprising 306,612,100 shares with a nominal value of EUR 1 each (including 45,404,954 treasury shares at 31 December 2016)

Tax code, VAT code and recorded in the Milan Register of Companies under no. 07918170015

Board of Directors (*)

Chairman
Lorenzo Pellicoli

Chief Executive Officer
Paolo Ceretti

Directors
Lino Benassi
Marco Boroli
Donatella Busso ^(1 / 5)
Marco Drago
Carlo Enrico Ferrari Ardicini
Francesca Golffetto ^(3 / 5)
Severino Salvemini ^(2 / 3 / 5)
Daniela Toscani ^(1 / 5)
Elena Vasco ^(4 / 5)

Board of Statutory Auditors (*)

Chairman
Cesare Andrea Grifoni

Permanent Auditors
Annalisa Raffaella Donesana
Fabio Facchini

Deputy auditors
Andrea Augusto Bonafè
Michele Maranò
Marco Sguazzini Viscontini

Secretary to the Board of Directors
Diana Allegretti

**Manager responsible for preparing
the Company's accounts**
Manolo Santilli

Independent Auditors
PricewaterhouseCoopers S.p.A.

(*) In office until the approval of the Financial Statements for the Year Ending
31 December 2018

- (1) Member of the Control and Risks Committee
- (2) Member and Chairman of the Control and Risks Committee
- (3) Member of the Remuneration and Appointments Committee
- (4) Member and Chairman of the Remuneration and Appointments Committee
- (5) Independent Director



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Letter

“Net asset value has risen to EUR 2.03 per share and, at the same time, we have strengthened our leadership position in Italy's alternative asset management sector, with total managed assets in excess of EUR 11 billion (up 19% on 2015)”

to the Shareholders

Dear Shareholders,

In 2016, DeA Capital strengthened its leadership position in Italy's alternative asset management sector, taking its managed assets to EUR 11.3 billion (up 19% on 2015), also launching a series of initiatives with excellent business development prospects in the non-performing loan (NPL) sector. The Company also continued with its investment activities, ploughing more than EUR 20 million into funds managed by the private equity and real estate platforms, and subscribing to commitments of around EUR 45 million in the funds launched by these platforms.

The Company's ability to carry out investment initiatives (including those that are structurally very complex) on the one hand, and raise funds through its asset management subsidiary companies on the other, is proof of the effectiveness of its business model, which combines private investment and asset management activities to create value in a unique way in Italy's alternative asset management sector. It does this thanks to:

- the excellent quality, built up over time, of the management team, which has more than 180 professionals dedicated to managing funds in the most attractive alternative investment asset classes (real estate, private equity and NPL);
- its solid financial position, which enables it to support the launch of new initiatives with its own capital, and hence substantially align its interests with those of the investors in its funds;
- an extensive network of international relationships, which makes DeA Capital the preferred Gate-to-Italy for alternative investment decisions in our country;
- being part of one of Italy's leading business groups, whose structure is based on a long-term approach that best supports the Company's growth path.

With regard to our financial and economic situation, the results recorded in 2016 are undoubtedly a source of satisfaction.

As mentioned above, the value of assets under management exceeded EUR 11 billion, an excellent increase on the previous year, with 50 funds managed and nearly EUR 60 million in commission. We posted profit of EUR 7.6 million at parent company level and consolidated profit (comprehensive income – statement of performance, IAS 1) of EUR 16.7 million, compared with losses the previous year of EUR 18.9 million

and EUR 13.2 million respectively, which were broadly attributable to the marking of some equity investments to market.

The investment portfolio remained stable at around EUR 450 million, thanks to capital distributions, which more than offset the new investments, while the net financial position of the holding companies improved to around EUR 80 million (compared with EUR 58 million the previous year, after the payment of the extraordinary dividend in May 2016).

Net asset value, the summary indicator of our performance, rose to EUR 2.03 per share, compared with EUR 1.95 per share at end-2015 (after the adjustment of EUR 0.12 per share relating to the above-mentioned dividend); this has allowed us to propose another extraordinary dividend – again of EUR 0.12 per share – which makes DeA Capital one of the companies with the best dividend yield on the entire Italian stock exchange.

Turning to the outlook for 2017, there is still little clarity on the environment in which we operate: the global economy seems to be improving and there is still ample liquidity in the "system", which should encourage alternative investments. However, there are still some obvious uncertainties – such as developments in the European Union post-Brexit and decisions regarding the exit strategies for the expansionary monetary policy interventions of recent years, as well as some sources of geopolitical tension, which could substantially alter the environment, with potentially significant effects on the financial markets.

Against this backdrop, we will continue to operate with the utmost discipline in our investment decisions, optimising the risk/return ratio by minimising risks, while on the asset management platforms, we will leverage the above-mentioned distinctive factors to help us expand our investor base and product range, and thus further consolidate our position on the alternative asset management market.

In light of the positive outlook for our investment portfolio, we are confident that we can continue with our active return on capital investment policy, based on an approach to creating value for shareholders over the long term.



Lorenzo Pellicioli
Chairman



Paolo Ceretti
Chief Executive Officer



Profile of

With assets under management of more than EUR 11,000 million and an investment portfolio of approximately EUR 450 million, DeA Capital S.p.A. is one of Italy's largest alternative investment operators.

The Company, which operates in both the Private Equity Investment and Alternative Asset Management businesses, is listed on the FTSE Italia STAR section of the Milan stock exchange and heads the De Agostini Group in the area of financial investments.

In the Private Equity Investment business, DeA Capital S.p.A. has "permanent" capital, and therefore has the advantage – compared with traditional private equity funds, which are normally restricted to a pre-determined duration – of greater flexibility in optimising the timing of entry to and exit from investments. In terms of investment policy, this flexibility allows it to adopt an approach based on value creation, including over the medium to long term.

With regard to Alternative Asset Management activities, DeA Capital S.p.A. – through its subsidiaries IDeA FIMIT SGR and IDeA Capital Funds SGR – is Italy's leading operator in real estate fund management and private equity funds of funds programmes, respectively. The two asset management companies are active in the promotion, management and value enhancement of investment funds, using approaches based on sector experience and the ability to identify opportunities for achieving the best returns.

Alternative Asset Management has been the Company's main focus for strategic development in recent years. In view of this, DeA Capital S.p.A. is expected to continue to concentrate its asset allocation in this business, partly through investments in funds managed by the above-mentioned private equity/real estate platform, with the aim of generating financial returns.

DeA Capital S.p.A.

PRIVATE EQUITY INVESTMENT

Direct investment

in companies mainly operating in Europe and Emerging Europe

Indirect Investment

in private equity and real estate funds



ALTERNATIVE ASSET MANAGEMENT

1.9 Bln €

IDeA Capital Funds SGR,
which manages private equity funds (funds of funds, co-investment funds and theme funds).

Asset Under Management: EUR 1.9 billion

8.7 Bln €

IDeA FIMIT SGR,
which manages real estate funds.

Asset Under Management: EUR 8.7 billion

0.7 Bln €

SPC,
a company that specialises in secured and unsecured debt recovery, with a focus on the banking, leasing, consumer and commercial sectors in Italy.

Asset Under Management: EUR 0.7 billion

IRE / IRE Advisory,
which operates in project, property and facility management, as well as real estate brokerage



For further info:
www.deacapital.it

section: *Investements and Asset Management*

At 31 December 2016, DeA Capital S.p.A. reported Group shareholders' equity of EUR 529.2 million, corresponding to a **net asset value (NAV) of EUR 2.03 per share**, with an investment portfolio of EUR 448.8 million.

More specifically, the investment portfolio consists of Private Equity Investment shareholdings of EUR 78.6 million, Private Equity Investment funds of EUR 202.9 million and net assets relating to the Alternative Asset Management business of EUR 167.3 million.

Private equity investment

• Main shareholdings

- **minority shareholding in Migros**, Turkey's leading food retail chain operator, whose shares are listed on the Istanbul Stock Exchange. The investment is held through the Luxembourg-registered company Kenan Investments S.A., an investment recorded in the AFS portfolio of the DeA Capital Group (with a stake of 17.1%).
- **strategic shareholding in Sigla**, which provides consumer credit for non-specific purposes (salary-backed loans and personal loans) and services non-performing loans in Italy. The investment is held through the Luxembourg-registered company Sigla Luxembourg S.A., an associate of the DeA Capital Group (with a stake of 41.4%).

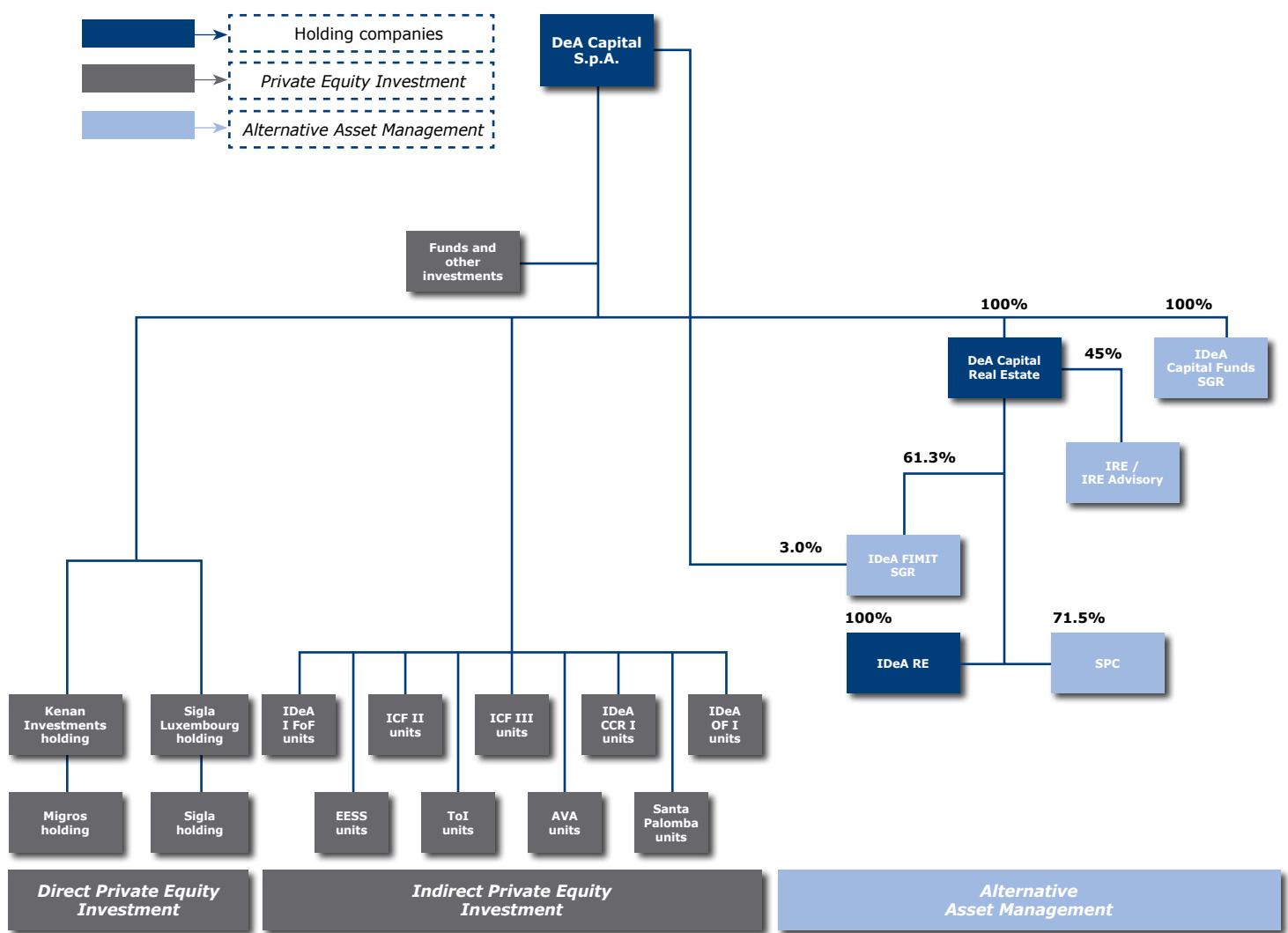
• Funds

- units in seven funds managed by the subsidiary IDeA Capital Funds SGR, i.e. in the three funds of funds **IDeA I Fund of Funds (IDeA I FoF)**, **ICF II** and **ICF III**, in the co-investment fund **IDeA Opportunity Fund I (IDeA OF I)** and in the theme funds **IDeA Efficienza Energetica e Sviluppo Sostenibile (Energy Efficiency and Sustainable Development - IDeA EESS)** and **IDeA Taste of Italy (IDeA ToI)** and in the credit fund **IDeA Corporate Credit Recovery I (IDeA CCR I)**;
- units in two funds managed by the subsidiary IDeA FIMIT SGR i.e. in the real estate funds **Atlantic Value Added (AVA)** and **Santa Palomba**;
- units in six venture capital funds.

Alternative asset management

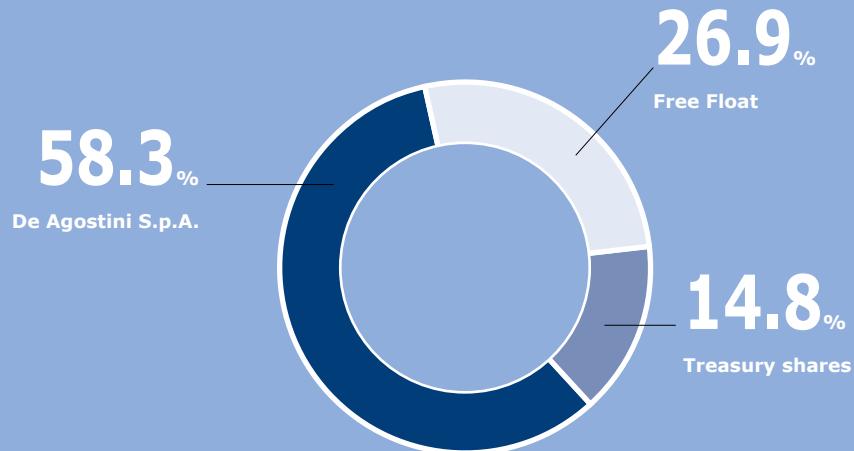
- **100% control of IDeA Capital Funds SGR**, which manages private equity funds (funds of funds, co-investment funds and theme funds) with about EUR 1.9 billion in assets under management and nine managed funds;
- **controlling interest in IDeA FIMIT SGR (64.3%)**, Italy's largest independent real estate asset management company, with about EUR 8.7 billion in assets under management and 41 managed funds (including five listed funds);
- **controlling interest in SPC (71.5%)**, a company that specialises in secured and unsecured debt recovery, with a focus on the banking, leasing, consumer and commercial sectors in Italy, with assets under management of around EUR 0.7 billion;
- **strategic shareholding in IRE/IRE Advisory (45.0%)**, which operate in project, property and facility management, as well as in real estate brokerage.

At 31 December 2016, the corporate structure of the Group headed by DeA Capital S.p.A. (the DeA Capital Group, or the Group) was as summarised below:



Information for

SHAREHOLDER STRUCTURE - DEA CAPITAL S.P.A. (#)



(#) Figures at 31 December 2016
Note: At the date of this document, there were 45,856,920 treasury shares representing 14.96% of share capital.

The performance of the DeA Capital share

The Company's share price declined by 44.9% between 11 January 2007, when DEA Capital S.p.A. began operations, and 31 December 2016. In the same period, the FTSE All-Share® and LPX50® fell by 50.5% and 7.9% respectively.

The DeA Capital share fell by 6.9% in 2016, while the Italian market index FTSE All-Share® fell by 9.9% and the LPX50® gained 8.3%.

The share's liquidity in 2016 reported average daily trading volumes of around 160,000 shares.

The share prices recorded in 2016 are shown below. The prices and performance have been adjusted by the dividend amount (EUR 0.12 per share) paid to shareholders in May 2016.

(in EUR per share)	1 Jan - 31 Dec 2016
Maximum price	1.29
Minimum price	1.00
Average price	1.12
Price at 31 December 2016	1.20

(EUR million)	31 Dec 2016
Market capitalisation at 31 December 2016 (*)	368

(*) Capitalisation net of treasury shares: approximately EUR 313 million.

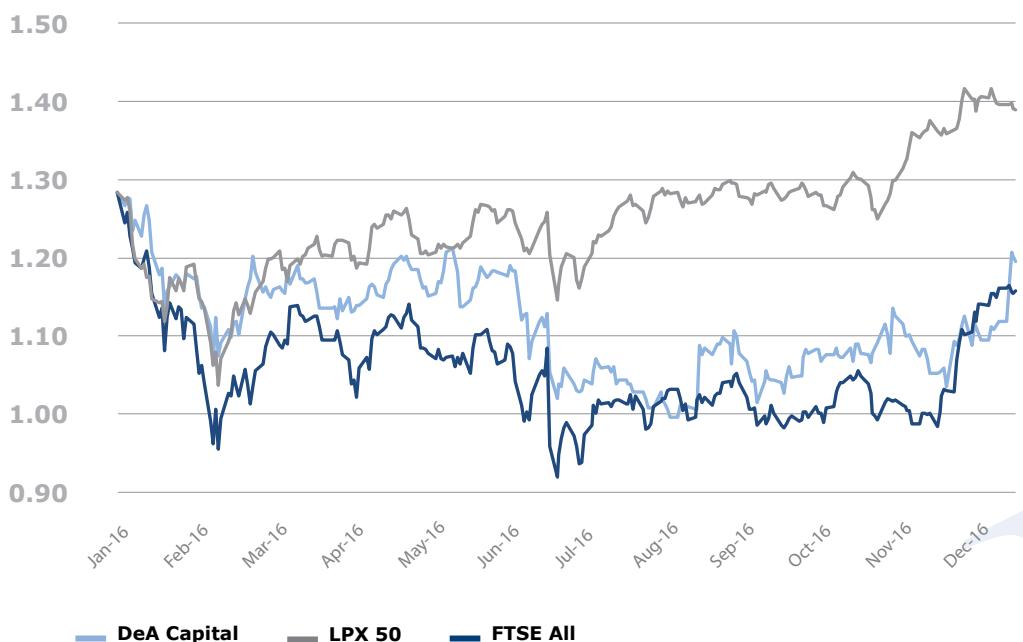
shareholders

SHARE PERFORMANCE *

From 11 January 2007, when DeA Capital S.p.A. began operations, to 31 December 2016



From 1 January 2016 to 31 December 2016



(*) Source Bloomberg



For further info:
www.deacapital.it
section: *Investor Relations*

Investor Relations

DeA Capital S.p.A. maintains stable and structured relationships with institutional and individual investors. In 2016, the Company stepped up its **communications activities**, by participating in various events: the Milan Star Conference in March and the London STAR Conference in October, a roadshow in Dublin at the end of October and the Midcap event in Geneva in early December. The Company met with over thirty institutional investors at these events. During the year, the Company also held meetings and conference calls with institutional investors, portfolio managers and financial analysts from Italy and abroad.

Research coverage of the share is currently carried out by Equita SIM and Intermonte SIM, the two main intermediaries on the Italian market, with Intermonte SIM acting as a specialist. In addition, since the beginning of 2015, coverage of the share has also been carried out by Edison Investment Research, an independent equity research company based in London. In 2016, research relating to DeA Capital was read by around 3,300 institutional investors and analysts in more than 26 countries in Europe, Australia, North America and the rest of the world.

The research carried out by these intermediaries is available in the Investor Relations/Analyst Coverage section of the website www.deacapital.it.

In December 2008, the DeA Capital share joined the LPX50® and LPX Europe® **indices**. The LPX® indices measure the performance of the major listed companies operating in private equity (Listed Private Equity or LPE). Due to its strong diversification by region and type of investment, the LPX50® index has become one of the most popular benchmarks for the LPE asset class. The method used to construct the index is published in the LPX Equity Index Guide. For further information please visit the website: www.lpx.ch. The DeA Capital share is also listed on the GLPE Global Listed Private Equity Index created by Red Rocks Capital, a US asset management company specialising in listed private equity companies. The index

was created to monitor the performance of listed private equity companies around the world and is composed of over 60 stocks. For further information: www.redrockcapital.com (*GLPE Index*).

The DeA Capital S.p.A. **website** is available in Italian and English at www.deacapital.it. The new site has a wealth of information, financial data, tools, documents, videos and news related to the DeA Capital Group's activities, strategy and investment portfolio. The social networks on which DeA Capital S.p.A. has a presence can also be accessed from the homepage, and articles, press releases and sections that users consider interesting can be shared on social media. DeA Capital S.p.A. has strengthened its presence on Wikipedia and the following social networks, adding its most recent documents, such as reports and presentations, for institutional investors: *Slideshare* and *LinkedIn*.

Since April 2014, DeA Capital has published an **interactive report** containing the annual financial results; the versions for 2013, 2014 and 2015 are available from the "Financial Statements and Reports" section of the website. The interactive report for 2016 will also be available by the end of April 2017.

The website has always been the primary mode of contact for investors. They can subscribe to various mailing lists and receive all news on the DeA Capital Group in a timely manner, as well as send questions or requests for information and documents to the Company's Investor Relations area, which is committed to answering queries promptly, as stated in the Investor Relations Policy published on the site. A quarterly newsletter is also published to keep investors updated on the main items of news regarding the Group, and to analyse the quarterly results and share performance.

In this way, DeA Capital S.p.A. is continuing its efforts to strengthen its presence on the web and to make information for stakeholders available through many channels.



For further info:
www.deacapital.it
section: *Investor Relations*

3. The DeA Capital Group's key Statement of Financial Position and Income Statement figures

The DeA Capital Group's key Statement of Financial Position and Income Statement figures to 31 December 2016 are shown below, compared with the corresponding figures to 31 December 2015.

(EUR million)	31.12.2016	31.12.2015 "adjusted" (*)	31.12.2015 "adjusted" (*)
NAV/share (EUR)	2.03	1.95	2.07
Group NAV	529.2	515.4	547.0
Investment portfolio	448.8	454.8	454.8
Net financial position - Holding companies	79.7	58.4	90.0
Consolidated net financial position	103.1	102.2	133.8

(*) The "adjusted" results at 31.12.2015 take into account the extraordinary dividend distribution of 0,12 € / share, for a total 31,6 million Euro, which was completed in May 2016

(EUR million)	Financial year 2016	Financial year 2015
Parent Company net profit/(loss)	7.6	(18.9)
Group net profit/(loss)	12.4	41.1
Comprehensive income (Group share) (Statement of Performance – IAS 1)	16.7	(13.2)

The table below shows the change in the Group's NAV in 2016:

Change in Group NAV	Total value (EUR m)	Total value (EUR m)	No. shares (millions)
Group NAV "as reported" at 31.12.2015	547.0	263.9	2.07
Extraordinary dividend distributed	(31.6)		(0.12)
"Adjusted" Group NAV at 31.12.2015	515.4		1.95
Purchase of own shares	(3.8)	(3.2)	(1.19) ^(*)
Treasury shares delivered to the incentive plans	0.4	0.5	1.32 ^(#)
Comprehensive income - Statement of Performance – IAS 1	16.7		
Other changes in NAV	0.5		
Group NAV at 31.12.2016	529.2	261.2	2.03

(*) Average price of purchases in 2016

(#) Market price at the date of delivery of shares

The table below provides details of the Group's Statement of Financial Position at 31 December 2016 (compared with the position at 31 December 2015):

	December 31, 2016		December 31, 2015 "adjusted" (*)	
	M€	€/Sh.	M€	€/Sh.
<i>Private Equity Investment</i>				
- Kenan Inv. / Migros	66.9	0.26	76.3	0.29
- Funds - Private Equity / Real Estate	202.9	0.78	194.1	0.74
- Other (Sigla, ..)	11.7	0.04	11.7	0.05
Total PEI (A)	281.5	1.08	282.1	1.08
<i>Alternative Asset Management</i>				
- IDeA FIMIT SGR	122.7	0.47	121.7	0.46
- IDeA Capital Funds SGR	37.7	0.14	39.7	0.15
- IRE / SPC	6.9	0.03	11.3	0.04
Total AAM (B)	167.3	0.64	172.7	0.65
Investment Portfolio (A+B)	448.8	1.72	454.8	1.73
Other net assets (liabilities)	0.7	0.00	2.2	0.00
Net Financial Position Holdings	79.7	0.31	58.4	0.22
NAV	529.2	2.03	515.4	1.95

(*) The "adjusted" results at December 31, 2015 take into account the extraordinary dividend distribution of 0,12 € / share, for a total 31,6 million Euro, which was completed in May 2016

4. Significant events during the year

The significant events that occurred in 2016 are reported below.

Private equity funds – paid calls/ distributions

In 2016, the DeA Capital Group increased its investments in the IDeA I FoF, ICF II, ICF III, IDeA OF I, IDeA EESS, IDeA ToI, IDeA CCR I and Santa Palomba funds with payments totalling EUR 21.8 million.

At the same time, the DeA Capital Group received capital reimbursements totalling EUR 31.7 million in 2016 relating to the IDeA I FoF, ICF II, IDeA OF I and IDeA EESS funds.

Thus, in 2016, the private equity funds in which DeA Capital S.p.A. has invested produced a net positive cash balance totalling EUR 9.9 million for the portion relating to the Group.

Share buyback plan

On 21 April 2016, the Shareholders' Meeting of DeA Capital S.p.A. authorised the Board of Directors to buy and sell, on one or more occasions and on a revolving basis, a maximum

number of treasury shares representing a stake of up to 20% of the share capital.

The new plan replaces the previous plan approved by the shareholders' meeting on 17 April 2015 (which was scheduled to expire with the approval of the 2015 Annual Financial Statements), and will pursue the same objectives, including purchasing treasury shares to be used for extraordinary transactions and share incentive schemes, offering shareholders a means of monetising their investment, stabilising the share price and regulating trading within the limits of current legislation.

The authorisation specifies that purchases may be made until the date of the shareholders' meeting to approve the Financial Statements for the Year Ending 31 December 2016, and in any case not beyond the maximum duration of 18 months allowed by law, and that DeA Capital S.p.A. may also sell the shares purchased for the purposes of trading, without time limits. The unit price for the purchase of the shares will be set on a case-by-case basis by the Board of Directors, but must not be more than 20% above or below the share's reference price on the trading day prior to each purchase.

The authorisation to sell treasury shares already held in the Company's portfolio and any shares bought in the future was granted for an unlimited period; sales may be carried out using the methods deemed most appropriate and at a price to be determined on a case-by-case basis by the Board of Directors, which must not, however, be more than 20% below the share's reference price on the trading day prior to the sale (apart from certain exceptions specified in the plan), although this limit may not apply in certain cases.

On the same date, the Board of Directors voted to implement the plan to buy and sell treasury shares authorised by the Shareholders' Meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation, and set the maximum unit price above which purchases of treasury shares may not be made, at the NAV per share indicated in the most recent statement of financial position approved and disclosed to the market.

At the same meeting, the Company's Board of Directors also voted to adopt market practice regarding the acquisition of treasury shares by setting up a "securities warehouse", as permitted by Consob Resolution 16839 of 19 March 2009.

New performance share plan

On 21 April 2016, the DeA Capital S.p.A. Shareholders' Meeting approved the DeA Capital Performance Share Plan 2016-2018, under which a maximum of 1,250,000 units may be allocated. On the same date, in implementation

of the shareholders' resolution, the Board of Directors of DeA Capital S.p.A. voted: (i) to launch the DeA Capital Performance Share Plan 2016-2018 approved by the shareholders' meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation; and (ii) to allocate a total of 1,000,000 units (representing the right to receive ordinary shares in the Company free of charge, under the terms and conditions of the plan) to certain employees and/or directors performing particular roles at the Company, its subsidiaries and the Parent Company De Agostini S.p.A.

The shares allocated due to the vesting of units will be drawn from the treasury shares already held by the Company so that the allocation will not have a dilutive effect.

The shareholders' meeting also approved the Company's Remuneration Policy pursuant to art. 123-ter of the TUF.

Vesting of the performance share plan and the stock option plan for 2013-2015

In May 2016, 462,736 treasury shares (approximately 0.2% of the share capital) were allocated as a result of the vesting of the 2013-2015 long-term incentive-based plans of DeA Capital S.p.A. (performance share and stock option), generating EUR 0.4 million through the exercise of the stock option plan.

Distribution of the share premium reserve

On 16 May 2016, in accordance with the vote of the Shareholders' Meeting on 21 April 2016, DeA Capital S.p.A. made a partial distribution of the share premium reserve in an amount of EUR 0.12 per share, i.e. based on the total number of shares net of treasury shares held, in an amount of around EUR 31.6 million.

Sale of the controlling stake in Innovation Real Estate

On 10 June 2016, DeA Capital Real Estate (DeA RE) completed the sale of a 55% stake in Innovation Real Estate (IRE) to a group of institutional investors and entrepreneurs operating in the real estate sector.

Before that, on 10 March 2016, DeA RE completed the purchase of shares representing a 3.0% stake in IRE, for a price of EUR 0.7 million, bringing its shareholding in the company to 100%.

The sale price of the investment of 55% was around EUR 5.7 million, net of the dividend agreed for distribution by IRE exclusively to DeA RE totalling EUR 6.0 million (which was received in full by DeA RE in 2016).

A portion of the price had already been paid in 2016 (around EUR 4.5 million), while the remainder (EUR 1.2 million) will be paid to DeA RE in two tranches:

- EUR 0.6 million by 30 April 2017
- EUR 0.6 million by 30 April 2018

The transaction generated a capital gain of about EUR 3.2 million for the DeA Capital Group.

Launch of the IDeA Corporate Credit Recovery I (IDeA CCR I) fund

In June 2016, IDeA Capital Funds SGR completed the launch of the IDeA Corporate Credit Recovery I fund, which has total assets of EUR 262.8 million, of which EUR 177.6 million relates to the loans segment (*comparto crediti* or CC) and EUR 85.2 million to the new finance segment (*comparto nuova finanza* or CNF).

As Italy's leading debtor-in-possession financing fund, IDeA CCR I aims to help relaunch medium-sized Italian companies that are facing financial difficulties but have solid business fundamentals.

Seven banks contributed to the **loans segment** by selling to the fund loans they had made to eight previously identified companies in exchange for units in the Fund.

The **new finance segment** has obtained a commitment for the financial resources to support the plans to relaunch the companies from both Italian investors (institutional investors and some family offices, as well as DeA Capital S.p.A., the fund's sponsor) and international investors. This includes a partnership with American group H.I.G. Capital which, via its affiliated company Bayside Capital, is providing a contribution of 50% of the CNF.

DeA Capital has subscribed total commitments of EUR 15.15 million (including units conferring rights to 30% of the carried interest).

Acquisition of a direct stake in SPC

In July 2016, the DeA Capital Group acquired, via its subsidiary DeA Capital Real Estate, a stake of 66.3% in SPC, a company that specialises in secured and unsecured debt recovery, with a focus on the leasing, banking, consumer and commercial sectors in Italy.

On 22 December 2016, a capital increase was carried out for the DeA Capital stake, totalling EUR 0.6 million, which brought the stake held in the company to 71.5%, for a total investment of EUR 1.6 million.

Under the agreements signed with the minority shareholders (SPC management, business partners), regulated by a shareholders' agreement, a further capital increase will be carried out by the company's management during 2017, which will bring DeA Capital's stake to 68.7%.

Amendments to the performance share plans and stock option plans for 2014-2016, 2015-2017 and 2016-2018

On 8 September 2016, in view of the distribution of the extraordinary dividend of EUR 0.12 per share approved by the Shareholders' Meeting on 21 April 2016, the Board of Directors of DeA Capital, as the competent body pursuant to the plans' regulations, approved a number of amendments to the existing incentive-based plans in order to keep the substance and financial content unchanged. Specifically:

- **Performance share plans.** The Board voted to compensate for the lower value of the plans following the distribution of the extraordinary dividend, in the event that the vesting conditions are met, by allocating new units, to be determined on the vesting date. The new units, which will be valued at the price per share on the same date, will be allocated pro rata to the portion of units that have vested, up to the maximum number of units provided for under the above-mentioned plans. The Board also resolved that where the lower value of the plans cannot be compensated for by the allocation of new units, a one-off bonus will be paid as compensation in cash, commensurate with the portion of units that has vested;

- **Stock option plans.** The Board of Directors voted to compensate for the lower value of the plans following the distribution of the extraordinary dividend, by the award of a one-off cash bonus commensurate with the portion of units that have vested.

Third and fourth closing of IDeA Taste of Italy private equity fund

On 6 September 2016 and 22 December 2016, the IDeA Taste of Italy fund completed a third and fourth closing for a total of EUR 78.1 million, bringing the fund's total commitment to EUR 218.1 million (compared with an original target of EUR 200 million).

DeA Capital S.p.A. took part in the fourth (final) closing via the subscription of a further commitment of up to EUR 11 million, taking its total commitment in the fund to EUR 25.2 million.

Acquisition of further units in the IDeA Efficienza Energetica e Sviluppo Sostenibile fund

On 14 October 2016, DeA Capital S.p.A. completed the acquisition from M&C of all the units and associated rights held by the latter in the IDeA Efficienza Energetica e Sviluppo Sostenibile (Energy Efficiency and Sustainable Development) fund, managed by IDeA Capital Funds SGR, for a price of EUR 5.35 million. This represented a discount of approximately 20% on the value of the units, as estimated according to the latest report available on the transaction date.

The units comprising the transaction, equal to 15.1% of the total size of the fund, will be added to the stake already held by DeA Capital S.p.A. in the fund. (15.3%), increasing its total stake to 30.4%.

As a result of the acquisition, DeA Capital S.p.A. has taken on the residual commitments for the payment of capital that may be called up on the units involved in the transaction, up to a maximum of EUR 5.0 million.

The transaction generated an increase of around EUR +1.7 million in the NAV, which was recognised in the income statement, together with a further EUR +4.0 million from the "transfer" of the reserves previously posted to shareholders' equity.

5. Results of the DeA Capital Group

The consolidated results for the period relate to the operations of the DeA Capital Group in the following businesses:

- Private Equity Investment, which includes the reporting units involved in private equity investment, broken down into shareholdings (direct investments) and investments in funds (indirect investments);
- Alternative Asset Management, which includes reporting units dedicated to asset management activities and related services, with a focus on the management of private equity and real estate funds.

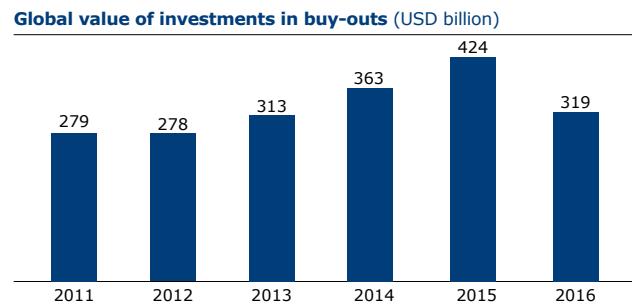
Private equity

Investment prospects and the performance of the European and global private equity markets

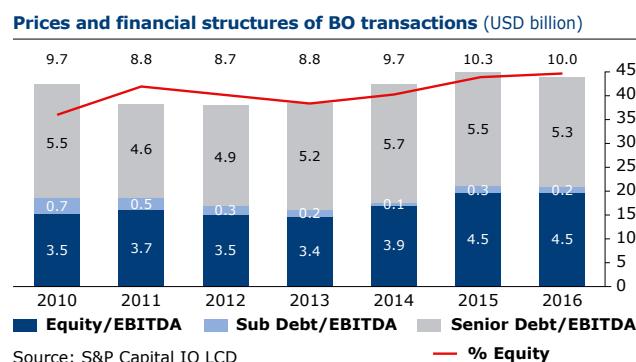
2016 was a good year for the private equity sector, although performance was uneven and varied according to geographical region. In Europe and the US, the uncertainty and volatility associated with events causing political upheaval such as the Brexit vote in the UK and the election of Donald Trump as President of the United States, had consequences for both investment, which fell for the first time after three years of continued growth, and disinvestment.

However, in Asia, the Chinese slowdown has contributed to making investors more cautious; while in emerging countries, political uncertainty or excessive dependence by the local economies on the raw materials markets have continued to exert a strong influence on the real economy of nearly all these countries, leading to a general reluctance to invest or disinvest that has now lasted for three years. It must, however, be borne in mind that in the west, and especially in the US, if mega-transactions such as Kraft and EMC – which alone represented volumes of just over USD 100 billion in 2015 – are excluded, 2016 volumes were more or less the same as in the previous year. Large capital inflows from central banks therefore continue to keep investment at robust levels. Cash inflows have supported the increase in the level of dry powder (cash available for funds to make investments) which began in 2013 and, at the end of 2016, stood at over half a billion dollars, up by over 10% on the previous year. It is therefore easy to understand how the ready availability of capital continues to exert an influence on the price of acquisitions.

Average multiples of transactions are 10 times EBITDA, the second-highest level since the record achieved in 2015. It will therefore be very important for managers (general partners, or GPs) to maintain a high degree of selectivity regarding investments and rigour in entry valuations. Owing to the uncertain macro-economic environment, distributions had a very lacklustre start to the year compared with the performance of investments, but recovered well in the second half. The main effect of the market volatility was reflected in the discontinuity in the IPO market. In terms of numbers and volumes of transactions, 2016 was the most disappointing year since 2013.



Source: Preqin



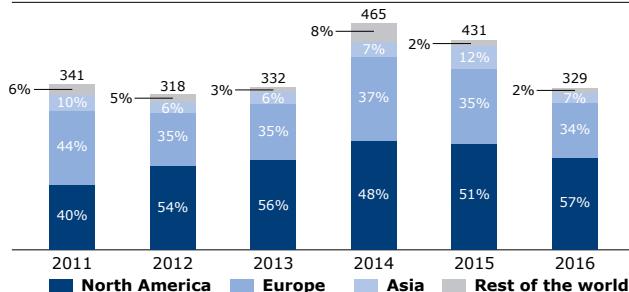
Source: S&P Capital IQ LCD

Investment fell by 25% in 2016 but was in line with the average for the post-global financial crisis period. The difference is mainly due to the reduction in the value of the larger transactions: in 2015, the aggregate value of the ten largest transactions was USD 157 billion, while in 2016 the aggregate value of the ten largest transactions fell to USD 63 billion. Prices fell slightly but are in line with the record levels seen in recent years.

Given the high level of transactions and the uncertain geopolitical environment, it is worth pointing out that, in the event of a correction in valuations, the current financial structures are stronger than they were in 2017 before the collapse of Lehman Brothers. The average equity contribution to LBO transactions is 45%, the highest level since 2010, compared with 36% in 2007. Compared with 2007, the use of subordinate debt is now almost obsolete as it has been

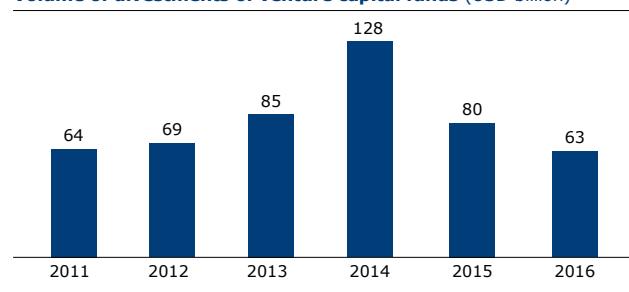
superseded by a combination of higher contributions of equity capital and the ready availability of senior uni-tranche loans, offered to funds by private debt operators. The flourishing credit market has allowed managers to refinance their existing structures with less expensive debt and postpone the maturities, which makes them even more robust.

Volume of divestments of buy-out funds by region (USD billion)



Source: Preqin

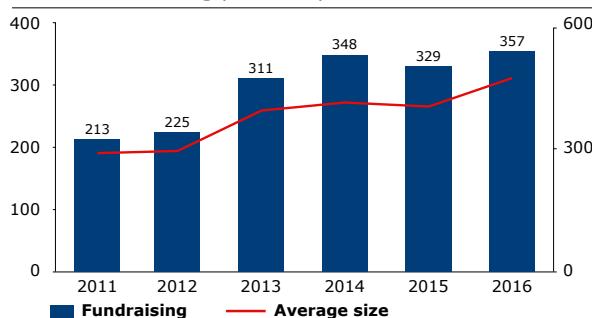
Volume of divestments of venture capital funds (USD billion)



Source: Preqin

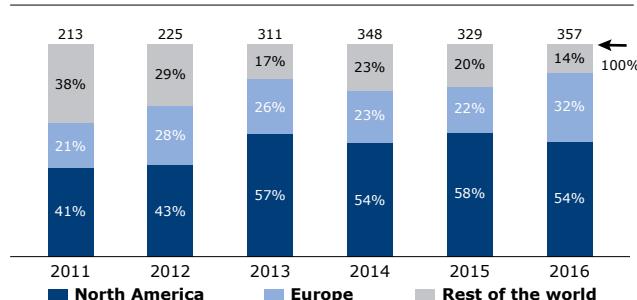
The disposals business slowed in 2016. In the buyout sector, the overall value of transactions fell by 23%. At regional level, disposals fell mainly in Asia, where exits contracted by over 55%; the market that showed the greatest signs of resilience was the US, representing 57% of sales in value terms, the highest percentage recorded between 2006-2016. The value of disposals in the venture capital segment also fell for the second year in a row, mainly due to a sharp reduction in the number of IPOs (around 50% in 2015-2016).

Global PE fundraising (USD billion)



Source: Preqin

Global PE fundraising by region (USD billion)

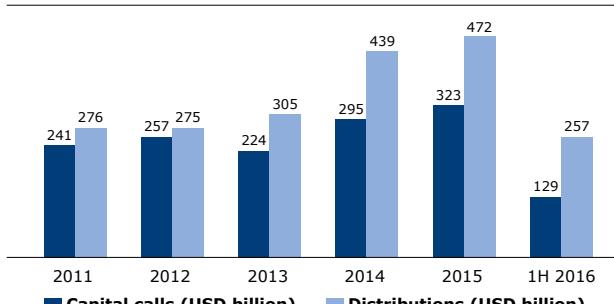


Source: Preqin

Unlike investments and disposals, fundraising increased again in 2016, reaching USD 357 billion, the highest value in the last eight years; this is the fourth year in a row that fundraising has exceeded USD 300 billion. Interest by investors (limited partners, or LPs) is very high, and the increase in the average size of funds raised indicates the tendency of LPs to choose established operators that are seen as less risky; 38% of fundraising is concentrated in the 20 largest funds.

Business is mainly focused on the developed markets. Emerging markets, with the exception of China, have suffered mainly because of the uncertainty surrounding the general economic environment and the low level of distributions on invested capital. Another positive sign for fundraising is that operators are finding it easier to reach final closing: the average time for fundraising fell to 14 months and, on average, funds that reached final closing in 2016 raised 105% of the target amount.

Global capital calls and distributions of PE funds (USD billion)



Source: Preqin

AUM Private Equity by Vintage (USD billion)



Source: S&P LCD

Distributions received by investors exceeded capital calls once again in 2016. 2016 was the sixth year in a row in which there were positive net balances, which stimulated LP interest in maintaining or increasing allocations to private equity – another factor that boosted fundraising. Despite the great uncertainty associated with the United States' new policies and the political and economic weakness of the European Union, it is possible that, albeit at potentially reduced volumes, 2017 could also be a good year for investors' cash returns. It can be seen from the diagram at the top right that there is still a significant amount of unrealised value generated by the funds raised in 2006-2008, which suggests that there is also a large number of companies in an advanced state of maturity that are potentially ready to be sold.

In conclusion, the investment themes suggested by the market conditions are as follows:

- The features of European and US buyout markets are currently high prices, availability of low-cost debt and a high level of dry powder. The pursuit of higher returns must concentrate on funds with clear competitive advantages in deal sourcing and value creation for the companies in the portfolio. Specifically, sector or fund strategies focusing on individual geographical regions with an established network of local offices can help operators to identify opportunities before other competitor funds, while funds specialising in turnarounds could have access to opportunities that are considered too complex by generalist funds.
- Private credit, in its various forms, offers attractive opportunities in both the US and Europe. Expectations of a Fed rate rise could test the financial structures of companies that have underestimated the amount of cash generation required to service debt. Distressed debt funds could therefore identify new investment opportunities even though a reversal of the credit cycle still seems premature, especially in Europe. In Europe, direct lending funds will still be able to benefit from healthy demand for loans by companies and the limited availability of traditional bank loans.
- There will be new opportunities in the emerging markets. Lower valuations and weaker local currencies make entry prices very attractive for recently raised funds or funds that have capital available for new investments. The halt to falling oil prices will benefit many countries with extensive reserves of natural resources.

Private Equity in Italy

Statistics compiled by AIFI (Italian Private Equity and Venture Capital Association) and currently updated to the first half of 2016, show that the amount invested in the period (EUR 4.9 billion) exceeded the total for 2015 (EUR 1.8 billion at 30 June 2015); this amount relates to just 11 large transactions. However, the fundraising figures halved compared with the same period in 2015. Capital raised on the market amounted to EUR 721 million, compared with EUR 1.3 billion in the first half of 2015. The figure for 2015 included the closing of three large private equity funds which alone accounted for 90% of total funds raised. The domestic component of capital rose to 86% of the total, with funds of funds playing a significant role at 35% of fundraising.

There were 138 new investments worth a total of EUR 4,898 million (up by 174% compared with the same period in 2015). The bulk of the resources invested, as in previous years, went into buy-out transactions, which attracted EUR 3,404 million, a three-fold increase on the year-earlier period.

Divestment activity slowed in the first half of 2016: 57 investments were sold, representing a decrease on the 99 sold in the first half of 2015. The amount divested, calculated at historical acquisition cost, totalled EUR 1.5 billion, compared with EUR 1.9 billion in the first half of 2015 (-21%).

Real Estate

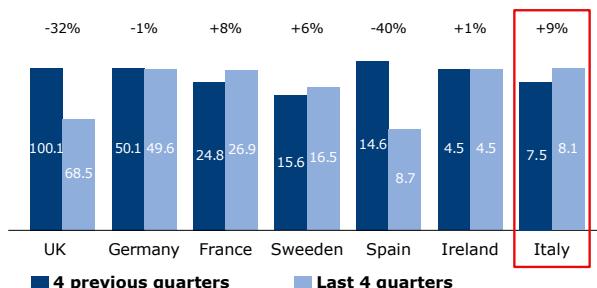
Real Estate in Europe

Direct investment in non-residential European real estate in the third quarter of 2016 was EUR 51.6 billion, down by around 23% compared with the same period in the previous year.

Although the total volume of investment in Europe is still significantly above the average for the last ten years, in the first nine months of 2016 it was 16% down on the same period in 2015, mainly due to a dampening of investment activity in the UK, where the Brexit referendum result has clearly dented investor confidence. However, excluding the UK, total investment in the last four quarters is in line with the figures for the previous four quarters.

With investment of around EUR 15 billion, or 29% of the quarterly total, Germany is the market of choice for investors; given the scarcity of core and core plus products in this market, demand is partly met by growth in the alternative market sectors. Next in the rankings are France and Sweden, with volumes invested of EUR 6 billion and EUR 3 billion respectively. Conversely, the Spanish market looks weak compared with the previous year.

Non-residential sales and purchases in the main European countries (EUR billion)



Source: CBRE

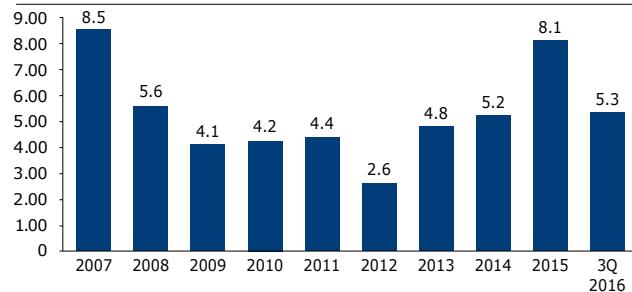
In terms of the type of real estate bought and sold, the offices sector attracted the majority of investors, where investment totalled EUR 21.5 billion, followed by the retail sector with investment of around EUR 10.6 billion ¹.

Real Estate in Italy

Investment in Italian real estate continued to improve in the third quarter of 2016, totalling just over EUR 1.7 billion, up 17% on the year-earlier period; in the first nine months of the year, investment came in at EUR 5.4 billion.

Domestic capital saw a trend reversal in this quarter: with investment of around EUR 887 million (51% of the total), it more than doubled compared with the figure recorded in the second quarter. Conversely, foreign capital came in at around EUR 856 million, a fall of 43% compared with the second quarter of 2016.

Sales and purchases by institutional investors (in EUR billion)

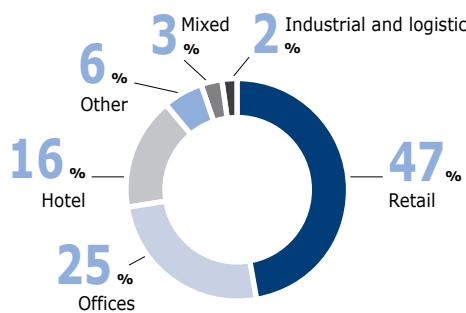


Source: CBRE

In terms of the type of real estate bought and sold, the retail sector, with investment of around EUR 830 million in the third quarter of 2016, is investors' asset class of choice, followed by the offices sector, whose share totalled EUR 444 million. The hotels sector, with an investment volume of EUR 285 million, continues to attract a significant portion of capital, amounting to 16% of the quarterly total.

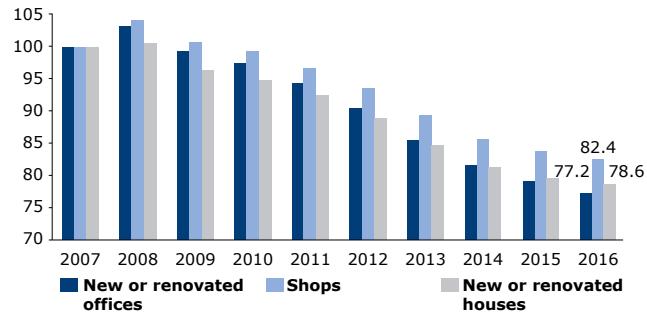
¹ Source: CBRE - European Investment Quarterly, Q3 2016

Breakdown of non-residential sales and purchases by intended use in Italy in 3Q16 (%)



Source: CBRE

Average prices in Italy's 13 largest cities (2007=100)



Source: Nomisma

Again, in the third quarter of 2016, the two main markets of Milan and Rome represented around 44% of the total volume of transactions, recording investments of EUR 388 million and EUR 375 million respectively².

Taking the retail property market as a whole, the latest figures provided by the Osservatorio sul Mercato Immobiliare (OMI) of the Italian Land Agency indicate that the Italian real estate market, with a normalised number of transactions of 265,323 units in the third quarter of 2016, is continuing the expansion recorded in the previous two quarters. The total number of sales and purchases recorded in the third quarter of 2016 rose by 17.8% compared with the same period in 2015. The strengthening of this upward trend is underpinned by various factors, including the continuation of particularly low mortgage interest rates and the economic scenario as a whole; such factors increase the appeal of property investment, especially in an economic phase that seems favourable.

The number of residential sales and purchases totalled 123,410 in the quarter (up 17.4% compared with the third quarter of 2015) while non-residential sales came in at 141,915 (up 18.1% compared with the third quarter of 2015).

In more detail, the offices, retail, industrial and appurtenances (garages, basements, car parks etc.) sectors recorded increases of 31.1%, 23.3%, 24.5% and 17.2% respectively³.

The recovery in buying and selling has not, however, been mirrored by a turnaround in prices, which have continued to fall, albeit with progressively decreasing intensity⁴.

In the second half of 2016, average property prices in the 13 largest Italian cities fell by 0.5% for new builds and by 0.6% for existing homes. The 2017 estimates show a further fall of 0.8% in residential property prices, before the trend reverses in 2018, which will cause prices to rise by 0.1% and then increase by a further 0.7% in 2019⁵.

Real Estate funds in Italy

The Italian real estate fund sector, in line with what is happening in the other European countries, is also proof of the recovery in the real estate market, and is a major driver of its growth. According to Scenari Immobiliari, based on closing balance sheet estimates, the net asset value (NAV) should reach EUR 47.8 billion in 2016, a rise of 4.6% on the previous year, and slightly lower than the expected European growth average of 8.6%.

The fall in the cost of money and debt restructuring operations are reducing debt in the system, which has fallen from EUR 30 billion to EUR 24 billion in five years⁶.

With regard to asset allocation, figures provided by Assogestioni show that 42.7% of the funds' capital was invested in the offices sector, 19.5% in residential property, 14.3% in commercial property, and the rest in real estate for the tourist and leisure industry (3.9%), the industrial sector (3.4%), logistics (3.1%), nursing homes (1.7%) and other (11.4%).

2 Source: CBRE – Press release, 26 October 2016

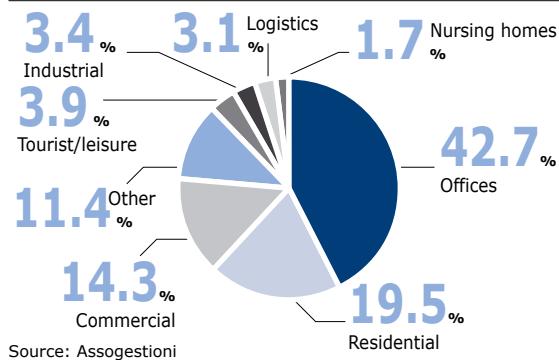
3 Source: OMI – Quarterly Report, Q3 2016

4 Source: Nomisma – Third Report on the Property Market 2016

5 Source: Nomisma – Third Report on the Property Market 2016

6 Source: Scenari Immobiliari – "Real Estate Funds in Italy and Abroad, 2016 Report"

Asset allocation of Italian real estate funds



By geographical region, the main investments were in the North West (43.0%) and Central Italy (33.6%), with the remainder invested in the North East (12.9%), Southern Italy and the Islands (8.1%) and, lastly, abroad (2.4%)⁷.

Private Equity Investment

At 31 December 2016 the DeA Capital Group was a shareholder of:

- Kenan Investments, the indirect Parent Company of Migros (for an amount of EUR 66.9 million);
- Sigla Luxembourg, the Parent Company of Sigla (for an amount of EUR 11.5 million);
- Harvip, which manages funds and investment vehicles used to purchase distressed real estate and other investments (for an amount of EUR 0.2 million).

The DeA Capital Group is also a shareholder in other smaller companies which are not included in the investment portfolio as they are either dormant or in liquidation and have a zero carrying value.

At 31 December 2016, the DeA Capital Group held units in the following funds (net carrying value from the funds' consolidated financial statements shown in brackets):

- IDeA I FoF (for an amount of EUR 69.0 million)
- ICF II (for an amount of EUR 47.0 million)
- ICF III (for an amount of EUR 6.9 million)
- IDeA OF I (for an amount of EUR 44.2 million)
- IDeA EESS (for an amount of EUR 16.9 million)
- IDeA ToI (for an amount of EUR 5.2 million)
- IDeA CCR I (for an amount of EUR 0.1 million)
- AVA (for an amount of EUR 3.7 million)
- Santa Palomba (for an amount of EUR 0.4 million)
- six venture capital funds (for a total amount of approximately EUR 9.5 million)

Valuations of shareholdings and funds in the portfolio reflect estimates made using the information available on the date this document was prepared.

⁷ Source: Assogestioni – Half-year report on Italian real estate funds, H1 2016

Investments in associates

SIGLA LUXEMBOURG (PARENT COMPANY OF SIGLA)



INVESTMENT DETAILS:

On 5 October 2007, the DeA Capital Group finalised the acquisition of a stake (currently 41.4%) in Sigla Luxembourg, the holding company that fully controls Sigla, which operates in Italy and provides consumer credit for non-specific purposes.

BRIEF DESCRIPTION:

Sigla specialises in "salary-backed loans". It is a benchmark operator in the provision of financial services to households throughout Italy, chiefly through a network of agents.

Its activities also include servicing unsecured non-performing loans (personal loans and credit cards).

The investment in Sigla Luxembourg, amounting to EUR 11.5 million, which was unchanged compared with 31 December 2015, was classified under "Held-for-sale assets" ahead of the launch, in the fourth quarter of 2015, of the process to sell the shareholding, which is still under way.

Sigla (mln €)	2016	2015	Change
Loans to customers*	28.6	35.0	n.s.
Revenues from loans to customers	0.0	0.4	n.s.
CQS granted	180.1	152.5	18.0%
Revenues from CQS	12.6	9.6	31.5%
Group net profit	1.7	1.2	41.7%

* Receivables for personal loans net of impairment provisions



REGISTERED OFFICE:

Italy

SECTOR:

Consumer credit

WEBSITE:

www.siglacreedit.it

Innovative operator in credit for non-specific purpose

Investments in other companies

KENAN INVESTMENTS (HOLDER OF A SHAREHOLDING IN MIGROS)

MiGROS

REGISTERED OFFICE:

Turkey

SECTOR:

Food retail

WEBSITE:

www.migros.com.tr

INVESTMENT DETAILS:

In 2008, the DeA Capital Group acquired about 17% of the capital of Kenan Investments, the company heading the structure to acquire a controlling interest in Migros.

As of 15 July 2015, following the sale by Moonlight Capital, a wholly-controlled subsidiary of Kenan Investments, of a 40.25% stake in Migros to Anadolu Endüstri Holding, a leading Turkish conglomerate, Kenan Investments jointly controlled Migros with a stake of 40.25%.

BRIEF DESCRIPTION:

Migros was established in 1954 and is the leading company in the food retail sector in Turkey. The company has 1,605 sales outlets (at 31 December 2016), with a total net area of 1,079 thousand square metres.

Migros is present in all seven regions of Turkey, and has marginal presences in Kazakhstan and Macedonia.

The company operates under the following names: Migros and Macrocenter (supermarkets), 5M (hypermarkets), Ramstore (supermarkets abroad) and Kangurum (online store).

Growth in the retail sector in Turkey is a relatively recent phenomenon, brought



about by the transition from traditional systems such as *bakkals* (small stores typically run by families) to an increasingly widespread organised distribution model.

The stake in Kenan Investments is recorded in the Consolidated Financial Statements for the Year Ending 31 December 2016 at EUR 66.9 million (compared with EUR 76.3 million at 31 December 2015). This amount (indirectly corresponding to approximately 6.9% of Migros' capital, i.e. 40.25% of Migros' capital via the Group's investment in Kenan Investments) reflects a price per share of Migros of:

- TRY 26.00 (plus interest of 7.5% per annum from 30 April 2015) for the stake subject to put/call options agreed with Anadolu on 9.75% of Migros and exercisable from 30 April 2017;
- TRY 17.58, being the market price on 31 December 2016 for the remaining stake (30.5% of Migros' capital).

Leading company
in the food retail
sector in Turkey

The change in the value of the stake in Kenan Investments at 31 December 2016 compared with 31 December 2015 is attributable to a decrease of EUR 9.4 million in the fair value reserve. This was due to the combined effect of the rise in the share price (TRY 17.58 per

share at 31 December 2016 compared with TRY 17.45 per share at 31 December 2015) and the depreciation of the Turkish lira against the euro (3.72 TRY/ EUR at 31 December 2016 versus 3.17 TRY/ EUR at 31 December 2015).

Migros (mln YTL)	2016	2015	Change
Revenues	11,059	9,390	17.8%
EBITDA	686	602	14.0%
Group net profit	(293)	(371)	n.a.
Net financial debt	(1,805)	(1,748)	-57 mln YTL

Funds

At 31 December 2016, the DeA Capital Group's Private Equity Investment business included investments in:

- the IDeA OF I fund (fully consolidated in accordance with IFRS 10);
- the AVA real estate fund and the IDeA EESS fund (classified under "Investments in associates", based on the units held);
- three funds of funds (IDeA I FoF, ICF II and ICF III), two theme funds (IDeA ToI and IDeA CCR I), six venture capital funds and the Santa Palomba real estate fund;

worth a total of approximately EUR 202.9 million (corresponding to the estimated fair value calculated using the information available on the date this document was prepared) in the Consolidated Financial Statements for the Year Ending 31 December 2016.

Residual commitments for all the funds in the portfolio totalled around EUR 107.7 million.



Capital Funds Sgr

INVESTMENT DETAILS:

IDeA I FoF is a closed-end fund under Italian law, for qualified investors, which began operations on 30 January 2007 and is managed by IDeA Capital Funds SGR.

The DeA Capital Group has a total commitment of up to EUR 173.5 million in the fund.

BRIEF DESCRIPTION:

IDeA I FoF, which has total commitments of approximately EUR 681 million, invests its assets in units of unlisted closed-end funds that are mainly active in the local private equity sector in various countries. It optimises the risk-return profile through careful diversification of assets among managers with a proven track record of returns and solidity, different investment approaches, geographical areas and maturities.

According to the latest report available, the IDeA I FoF portfolio was invested in 41 funds with different investment strategies; these funds in turn hold positions, with varying maturities, in 330 companies active in geographical regions with different growth rates.

The funds are diversified in the buy-out (control) and expansion (minorities) categories, with overweighting towards medium- and small-scale transactions and special situations (distressed debt/equity and turnaround).

At 31 December 2016, IDeA I FoF had called up 85.4% of its total commitment and had made distributions totalling 74.6% of that commitment.

REGISTERED OFFICE:

Italy

SECTOR:

Private Equity

WEBSITE:

www.ideasgr.com

Fund size:

681 million
Euro

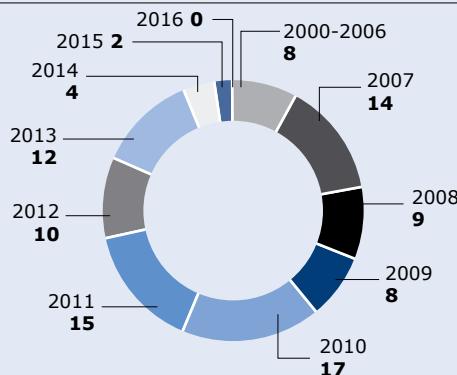
IDEA I FUND OF FUNDS

OTHER IMPORTANT INFORMATION:

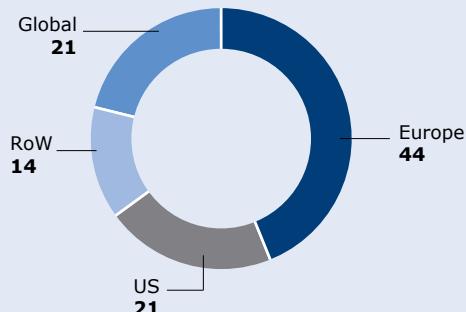
Below is an analysis of the portfolio, at the date of the latest report available, broken down by

year of investment, geographical area, sector and type of underlying fund.

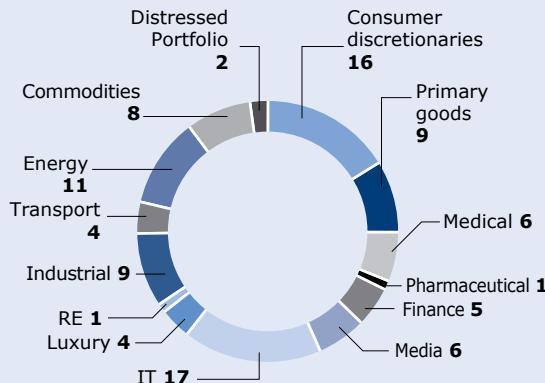
Diversification by year of investment¹ (%)



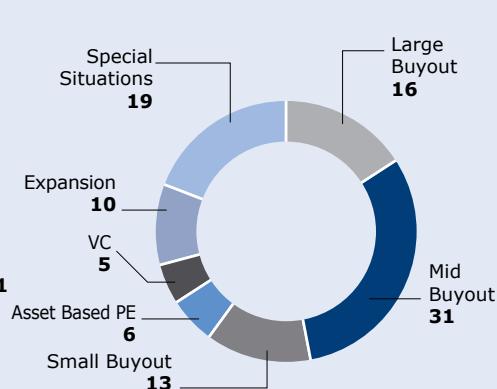
Diversification by geographical area² (%)



Diversification by sector¹ (%)



Diversification by fund type² (%)



Notes:

1. % of the FMV of the investment at 31 December 2016.

2. % of fund size based on paid-in exposure (capital invested + residual commitments) at 31 December 2016.

The units in IDeA I FoF were valued at approximately EUR 69.0 million in the Consolidated Financial Statements for the Year Ending 31 December 2016 (EUR 77.2 million at 31 December 2015). The change was due to capital calls of EUR +1.2 million,

capital reimbursements of EUR -15.6 million and an increase in fair value of EUR +6.2 million.

The table below shows the key figures for IDeA I FoF at 31 December 2016.

IDeA I FoF (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
IDeA I Fund of Funds	Italy	2007	681,050,000	173,500,000	25.48
Residual Commitments					
Total residual commitment in:			Eur	25,348,342	



Capital Funds Sgr

INVESTMENT DETAILS:

ICF II is a closed-end fund under Italian law, for qualified investors, which began operations on 24 February 2009 and is managed by IDeA Capital Funds SGR.

The DeA Capital Group has a total commitment of up to EUR 51 million in the fund.

BRIEF DESCRIPTION:

ICF II, with total commitments of EUR 281 million, invests in units of unlisted closed-end funds that are mainly active in the local private equity sector of various countries. It optimises the risk-return profile through careful diversification of assets among managers with a proven track record of returns and solidity, different investment approaches, geographical areas and maturities.

The fund started building its portfolio by focusing on funds in the area of mid-market buy-outs, distressed and special situations, loans, turnarounds and funds with a specific sector slant, targeting, in particular, opportunities offered in the secondary market.

Based on the latest report available, the ICF II portfolio was invested in 27 funds with different investment strategies; these funds in turn hold positions, with varying maturities, in around 382 companies active in various geographical areas.

At 31 December 2016, ICF II had called up around 71.7% of its total commitment and had made distributions totalling 28.5% of that commitment.

REGISTERED OFFICE:

Italy

SECTOR:

Private Equity

WEBSITE:

www.ideaesgr.com

Fund size:

281 million
Euro

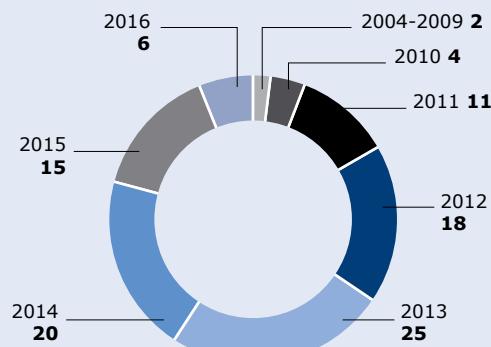
ICF II

OTHER IMPORTANT INFORMATION:

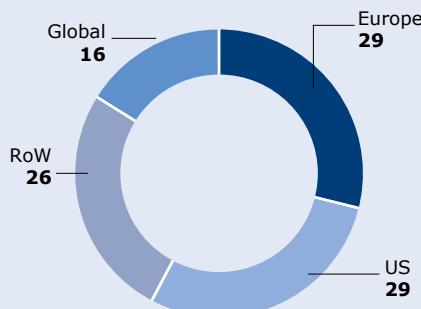
Below is an analysis of the portfolio, at the date of the latest report available, broken

down by year of investment, geographical area, sector and type of underlying fund.

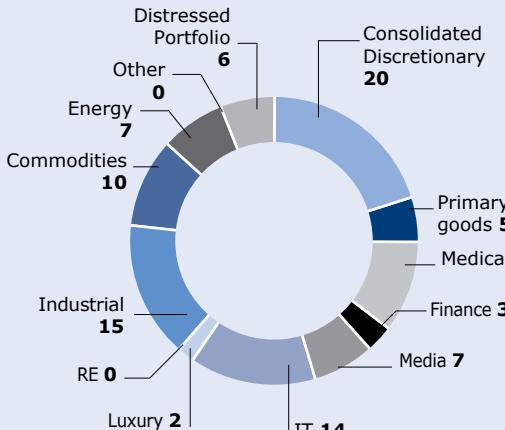
Diversification by year of investment¹ (%)



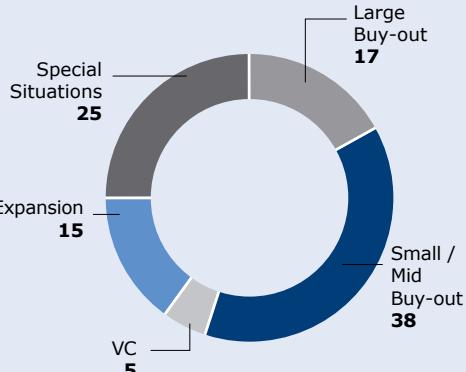
Diversification by geographical area² (%)



Diversification by sector¹ (%)



Diversification by fund type² (%)



Notes:

1. % of the FMV of the investment at 31 December 2016.

2. % of fund size based on paid-in exposure (capital invested + residual commitments) at 31 December 2016.

The units in ICF II were valued at approximately EUR 47.0 million in the Consolidated Financial Statements for the Year Ending 31 December 2016 (EUR 41.7 million at 31 December 2015). The change was due to capital calls of EUR +1.4 million,

capital reimbursements of EUR -3.5 million and an increase in fair value of EUR +7.4 million.

The table below shows the key figures for ICF II at 31 December 2016:

ICF II (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
ICF II	Italia	2009	281,000,000	51,000,000	18.15
Residual Commitments					
Total residual commitment in:		Eur		14,447,712	



Capital Funds Sgr

INVESTMENT DETAILS:

ICF III is a closed-end fund under Italian law, for qualified investors, which began operations on 10 April 2014 and is managed by IDeA Capital Funds SGR.

The DeA Capital Group has a total commitment of up to EUR 12.5 million in the fund.

BRIEF DESCRIPTION:

ICF III, with total commitments of approximately EUR 67 million, intends to invest its assets in units of closed-end private equity funds or in schemes that replicate that financial model, either as the lead investor or with other co-investors.

The fund is divided into three parts:

- **Core**, with a focus on buy-outs, expansion capital and special situations;
- **Credit & Distressed**, which invests in special credit operations (preferred equity, mezzanine,

senior loans), turnarounds and other credit strategies;

- **Emerging Markets**, which focuses on expansion capital, buy-outs, distressed assets and venture capital operations in emerging markets.

At 31 December 2016, ICF III had called up 42.5%, 59.0% and 42.5% in the Core, Credit & Distressed and Emerging Markets segments respectively.

The units in ICF III were valued at a total of EUR 6.9 million in the Consolidated Financial Statements for the Year Ending 31 December 2016 (EUR 4.8 million at 31 December 2015). The change was due to net capital calls of EUR +1.5 million and an increase in fair value of EUR +0.6 million.

The table below shows the key figures for ICF III at 31 December 2016.

ICF III (€)	Registered office commitment	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
ICF III	Italy	2014	66,950,000	12,500,000	18.67
of which:					
Segment Core			34,600,000	1,000,000	2.89
Segment Credit & Distressed			17,300,000	4,000,000	23.12
Segment Emerging Markets			15,050,000	7,500,000	49.83
Residual Commitments					
Total residual commitment in:			Eur	6,528,953	

REGISTERED OFFICE:

Italy

SECTOR:

Private Equity

WEBSITE:www.ideaesgr.com*Fund size:*

67 million
Euro

IDEA OPPORTUNITY FUND I



Capital Funds Sgr

REGISTERED OFFICE:
Italy

SECTOR:
Private Equity

WEBSITE:
www.ideasgr.com

Fund size:
217 million
Euro

INVESTMENT DETAILS:

IDeA OF I is a closed-end fund under Italian law, for qualified investors, which began operations on 9 May 2008 and is managed by IDeA Capital Funds SGR.

The DeA Capital Group has a total commitment of up to EUR 101.8 million in the fund.

BRIEF DESCRIPTION:

IDeA OF I has total commitments of approximately EUR 217 million. Its objective is to invest, independently or via syndicates with a lead investor, by purchasing qualified minority interests.

At 31 December 2016, IDeA OF I had called up 84.8% of the total commitment and distributed 31.5% of that commitment, after making nine investments (of which seven were still in the portfolio at that date):

SIGNIFICANT EVENTS DURING THE YEAR

- In 2016, the sale of the shares of **Telit Communications PLC** held by IDeA OF I, which was launched in 2014, was completed for an aggregate price of EUR 30.9 million, with a total return on investment of 3.45 times.
- On 25 February 2016, the sale of the entire stake held in **Grandi Navi Veloce S.p.A.** (GNV) to a company in the Marinvest Group, GNV's main shareholder, was completed for a purchase price of EUR 3.4 million.
- On 11 July 2016, the sale of the entire stake held in **Euticals** to AMRI (a NASDAQ-listed group that provides

manufacturing services to the pharmaceutical and biotechnology industries) was completed for an equity value of EUR 243.5 million, i.e. EUR 19.4 million for the OF I stake (with a total return on investment of 1.65 times, as valued on the completion date). The price was settled as follows: AMRI shares (for an indirect stake of 1.58% in the company for the OF I stake and a lock-up period of six months from the closing date), with the issue of a vendor note (EUR 4.4 million for the OF I stake, repayable in three tranches after the third, fourth and fifth year following the sale) and cash (EUR 7.3 million, gross of transaction costs and the escrow account).

- On 7 October 2016, with reference to the stake held in **Manutencoop Facility Management S.p.A.**, new agreements between the financial investors and the majority shareholder, Manutencoop Società Cooperativa, became effective, under which it was agreed to: (i) extend the repayment term of the existing vendor loan to 30 June 2019; and (ii) increase the stake held in the company (from 3% to 4.73% for IDeA OF I) in return for waiving the exercise of the put option on the whole stake held.
- On 11 October 2016, IDeA OF I completed a capital increase of EUR 3.5 million in **Corin Group PLC** to enable the company to acquire ARC, a business division of orthopaedic prostheses for hips and knees.
- On 9 December 2016, the extraordinary shareholders' meeting of **Giochi Preziosi S.p.A.** voted to increase the capital in which IDeA OF I did not take part, diluting the stake held to 4.34%.

The units held in IDeA OF I were reported in the Consolidated Financial Statements for the Year Ending 31 December 2016 at a net value of EUR 44.2 million, versus EUR 48.5 million at 31 December 2015. The change is attributable to capital calls of EUR +3.7 million, capital

reimbursements of EUR -8.9 million, a pro rata net profit for the period of EUR +1.1 million and a EUR -0.2 million decrease in fair value.

The table below shows a breakdown of the fund's NAV at 31 December 2016.

(EUR million)	Industry	% share	Investment date	100%	DeA Capital
Portfolio investments					
Giochi Preziosi	Games	4,3%	October 8, 2008	5.2	2.4
Manutencoop Facility Management	Integrated facility Management	4,7%	December 22, 2008	18.9	8.9
Lauro Cinquantasette (Euticals)	Active Pharmaceutical Ingredients	8,0%	February 10, 2011	15.3	7.2
Iacobucci HF Electronics	Aircraft furnishing and coffee machines	34,9%	September 11, 2012	6.0	2.8
Pegaso Transportation Investments (Talgo)	Rail market	2,5%	October 8, 2012	14.9	7.0
2IL Orthopaedics LTD (Corin)	Orthopedic implants	29,3%	October 31, 2012	15.3	7.2
Elemaster	Electronic boards with high technological content	10,0%	February 27, 2013	8.5	4.0
Total portfolio investments				84.1	39.5
Other long term receivables				9.8	4.6
Cash and cash equivalents				0.1	0.1
Total Net equity				94.0	44.2

The table below shows the key figures for IDeA OF I at 31 December 2016.

IDeA OF I (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
IDeA Opportunity Fund I	Italy	2008	216,550,000	101,750,000	46.99
Residual Commitments					
Total residual commitment in:	Eur		15,415,125		

IDEA EFFICIENZA ENERGETICA E SVILUPPO SOSTENIBILE (IDEA ENERGY EFFICIENCY AND SUSTAINABLE DEVELOPMENT)



Capital Funds Sgr

REGISTERED OFFICE:

Italy

SECTOR:
Private Equity**WEBSITE:**
www.ideasgr.com

Fund size:

100 million
Euro

INVESTMENT DETAILS:

IDeA EESS is a closed-end fund under Italian law, for qualified investors, which began operating on 1 August 2011 and is managed by IDeA Capital Funds SGR.

On 14 October 2016, DeA Capital S.p.A. completed the acquisition from M&C of all the units and associated rights held by the latter in the IDeA Efficienza Energetica e Sviluppo Sostenibile fund, managed by IDeA Capital Funds SGR, for a price of EUR 5.35 million. This represents a discount of approximately 20% on the value of the units, as estimated according to the latest report available on the transaction date.

The units comprising the transaction, equal to 15.1% of the total size of the fund, will be added to the stake already held by DeA Capital S.p.A. in the fund (15.3%), increasing its total stake to 30.4%.

As a result of the acquisition, DeA Capital S.p.A. has taken on the residual commitments for the payment of capital that may be called up on the units involved in the transaction, up to a maximum of EUR 5.0 million.

BRIEF DESCRIPTION:

IDeA EESS, which has total commitments of EUR 100 million, is a closed-end mutual fund under Italian law, for qualified investors, which seeks to acquire minority and controlling shareholdings in unlisted companies in Italy and abroad, by investing jointly with local partners.

The fund is dedicated to investing in small and medium-sized manufacturing and service companies operating in the field of energy saving and the efficient use of natural resources. It focuses on the development of solutions that make faster and cheaper use of renewable energy sources without compromising effectiveness in reducing CO2 emissions.

At 31 December 2016, IDeA EESS had called up 76.3% of the total commitment and distributed 33.6% of that commitment, after making eight investments (of which seven were still in the portfolio at that date).

Significant events during the year

- On 20 April 2016, the process of listing **SMRE** on AIM (the section of the Italian stock exchange relating to SMEs) was completed, raising funds of EUR 5.3 million; as a result of the transaction, the stake held by IDeA EESS in SMRE decreased from 29.9% to 26.6%;
- On 31 May 2016, as part of the acquisition of 100% of **Italchimici**'s share capital by pharmaceutical company Recordati, IDeA EESS completed the sale of the entire stake held in said company for a price of EUR 25.3 million, with a return on investment of about 2.5 times.
- On 27 October 2016, IDeA EESS acquired a 96.77% stake in **Tecnomecanica**, an Italian company operating in the production of aluminium components for the automotive lighting sector, for an investment of EUR 4.6 million.
- On 30 November 2016, IDeA EESS completed the acquisition of a 90.0% stake in **Stalam**, for

a price of EUR 4.1 million (plus a maximum earn-out of EUR 1.6 million, conditional upon Stalam achieving various performance targets). Stalam is an Italian company operating in the development, design and manufacture of radio frequency equipment for the drying and thermal processing of textile fibres and yarns.

The units in IDeA EESS had a value of approximately EUR 16.9 million at 31 December 2016 (EUR 7.3 million at 31 December 2015) and were classified under "investments in associates" from October 2016. The change in the fund compared with 31 December 2015 is due to: (i) capital calls of EUR +3.0 million, (ii) the purchase of units in the fund by M&C for a price of EUR +5.4 million, (iii) capital reimbursements of EUR -3.7 million, (iv) a pro rata share of the net profit (EUR +5.7 million) and (v) a decrease in fair value of EUR -0.8 million.

IDEA EFFICIENZA ENERGETICA E SVILUPPO SOSTENIBILE

The table below shows a breakdown of the fund's NAV at 31 December 2016.

(EUR million)	Industry	% share	Investment date	100%	DeA Capital
Portfolio investments					
Domotecnica(*)	Heat engineering products	48.0%	May 8, 2012	0	0
Elemaster	Electronic boards	10.0%	February 27, 2013	8.5	2.6
SMRE	Industrial machinery textile sector	26.6%	April 23, 2013	12.2	3.7
Zephyro	Energy services for complex structures	8.1%	December 11, 2013	6.2	1.9
Meta Fin	Electronics components for safety systems	21.5%	February 13, 2014	7.5	2.3
Baglioni	Design / production of compressed air tanks	41.2%	February 5, 2015	10.0	3.0
Tecnomeccanica	Production for lights industry	96.8%	October 27, 2016	4.6	1.4
Stalam	Production of radiofrequency machinery for textile sector	90.0%	November 30, 2016	4.1	1.3
Total portfolio investments				53.1	16.2
Other assets (liabilities)				(0.2)	(0.1)
Cash and cash equivalents				2.7	0.8
Total Net equity				55.6	16.9

(*) On the date hereof, the bankruptcy proceedings were not yet completed

The table below shows the key figures for IDeA EESS at 31 December 2016.

IDeA EESS (€)	Registered office commitment	Year of Fund Size commitment	Subscribed commitment	% DeA Capital in fund
IDeA Efficienza Energetica e Sviluppo Sostenibile	Italy	2011	100,000,000	30,400,000
Residual Commitments				
Total residual commitment in:	Eur		7,219,650	

REGISTERED OFFICE:
Italia

SECTOR:
Private Equity

WEBSITE:
www.ideasgr.com

Fund size:
100 million
Euro



Capital Funds Sgr

INVESTMENT DETAILS:

IDeA ToI is a closed-end fund under Italian law for qualified investors, which began operating on 30 December 2014 and is managed by IDeA Capital Funds SGR.

The DeA Capital Group has a total commitment of EUR 25.2 million in the fund.

BRIEF DESCRIPTION:

IDeA ToI, which had total commitments of EUR 218.1 million at 31 December 2016, is a closed-end mutual fund under Italian law, for qualified investors, which seeks to acquire minority and controlling interests in mainly small and medium-sized enterprises in Italy, either independently or with other co-investors. The fund invests in companies operating in the agricultural foods sector, especially in areas involved in the production and distribution of foodstuffs and in secondary (processed) products or related services.

At 31 December 2016, IDeA ToI had called up 25.9% of its total commitment from subscribers, after making two investments.

Significant events during the year

On 22 June 2016, the fund invested EUR 14.9 million in an indirect 68.6% holding in **Indian S.r.l.**, a leading manufacturer of private label multi-pack ice cream, distributed mainly to large retail chains in Italy.

After 31 December 2016, the IDeA ToI fund invested EUR 19.8 million, on 9 January 2017, in a 33% stake in Acque Minerali, a manufacturer of **Lurisia**-branded mineral water and drinks.

The units in IDeA ToI were valued at approximately EUR 5.2 million in the Consolidated Financial Statements for the Year Ending 31 December 2016 (EUR 1.1 million at 31 December 2015). The changes during the period were mainly due to net capital calls of EUR +5.0 million and a EUR -0.9 million decrease in fair value (largely associated with management fees).

The table below shows the key figures for IDeA ToI at 31 December 2016.

IDeA ToI (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
IDeA Taste of Italy	Italy	2014	218,100,000	25,200,000	7.56
Residual Commitments					
Total residual commitment in:	Eur		18,671,802		

REGISTERED OFFICE:

Italy

SECTOR:

Private Equity

WEBSITE:www.ideasgr.com*Fund size:*

**218.1 million
Euro**

IDEA CORPORATE CREDIT RECOVERY (IDEA CCR I)



Capital Funds Sgr

REGISTERED OFFICE:
Italy

SECTOR:
Private Equity

WEBSITE:
www.ideasgr.com

Fund size:
262.8 million
Euro

INVESTMENT DETAILS:

IDeA CCR I is a closed-end fund under Italian law, for qualified investors, which began operations on 23 June 2016 and is managed by IDeA Capital Funds SGR.

The DeA Capital Group has a total commitment of EUR 15.2 million in the fund.

BRIEF DESCRIPTION:

IDeA CCR I, which has total commitments of EUR 262.8 million, is a closed-end mutual fund under Italian law, for qualified investors, which aims to help relaunch medium-sized Italian companies that are facing financial difficulties but have solid business fundamentals (Target Companies), sharing the profits between creditors and new investors, by

- proactive management of loans to the Target Companies;
- potential investments to be carried out via debtor-in-possession financing transactions, which means that the new investments have greater seniority than existing financial debt;
- "equity-style" involvement in the management of debtor companies.

The fund is divided into two parts:

- **Loans segment**, which has acquired loans and financial equity instruments relating to financing operations for the Target Companies from eight banks for a consideration of approximately EUR 177 million, in exchange for the allocation of units in the fund's loans segment;
- **New finance segment**, which has obtained commitments for new financial resources of up to around EUR 85 million, which could be used for the Target Companies or companies with similar characteristics.

By its very nature, as it was created by means of contributions, the loans segment is fully invested; as at 31 December 2016, the new finance segment had called up 1.1% of the total commitment.

The units in IDeA CCR I were valued at approximately EUR 0.1 million in the Consolidated Financial Statements for the Year Ending 31 December 2016, due to net capital calls of EUR +0.2 million.

The table below shows the key figures for the IDeA CCR I fund at 31 December 2016.

IDeA CCR I (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
IDeA CCR I	Italy	2016	262,809,252	15,150,000	5.76
of which:					
Segment New Financing			85,250,000	15,075,000	17.68
Segment Credit			177,559,252	75,000	0.04
Residual Commitments					
Total residual commitment in:			Eur	14,936,596	



INVESTMENT DETAILS:

The Atlantic Value Added Closed-End Speculative Real Estate Mutual Fund is a mixed-contribution fund for qualified investors that began operations on 23 December 2011.

DeA Capital S.p.A. has a commitment in the fund of up to EUR 5 million (corresponding to 9.1% of the total commitment), with payments having already been made of approximately EUR 4.8 million at 31 December 2016.

BRIEF DESCRIPTION:

The fund, which is managed by the subsidiary IDeA FIMIT SGR and has a commitment of around EUR 55 million, began operations with a primary focus on real estate investments in the office and residential markets. The duration of the fund is eight years. From 29 December 2011 onwards, the fund successively invested a total of EUR 73.8

million to purchase/subscribe to units of the Venere fund, receiving capital reimbursements from the fund of EUR 28.2 million. The Venere fund is a closed-end speculative reserved real estate fund managed by IDeA FIMIT SGR. The Venere fund's real estate portfolio consists of properties primarily for residential use located in northern Italy.

The units in the AVA fund were valued at approximately EUR 3.7 million in the Consolidated Financial Statements for the Year Ending 31 December 2016 (EUR 3.8 million at 31 December 2015). The changes during the period were due to the pro-rata portion of the net loss for the period (EUR 0.1 million).

The table below shows the key figures for the AVA fund at 31 December 2016.

AVA (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
Atlantic Value Added	Italy	2011	55,000,000	5,000,000	9.08
Residual Commitments					
Total residual commitment in:	Eur		150,000		

REGISTERED OFFICE:

Italy

SECTOR:

Private Equity – Real Estate

WEBSITE:

www.ideaimit.it

Fund size:

*55 million
Euro*

SANTA PALOMBA

On 11 November 2016, DeA Capital S.p.A. paid EUR 0.4 million in the first closing of the Santa Palomba fund of a total commitment of EUR 1.0 million. The fund, which is managed by the subsidiary IDeA FIMIT SGR, builds social housing in the metropolitan area of Rome.

The units in the Santa Palomba fund were valued at approximately EUR 0.4 million in the Consolidated Financial Statements for the Year Ending 31 December 2016.

The table below shows the key figures for the Santa Palomba fund at 31 December 2016.

Roma Santa Palomba (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
Roma Santa Palomba	Italy	2016	82,500,000	1,000,000	1.21
<i>Residual Commitments</i>					
Total residual commitment in:	Eur			600,000	

VENTURE CAPITAL FUNDS

Venture capital funds

The units in venture capital funds had a total value of approximately EUR 9.5 million in the Financial Statements for the year ending 31 December 2016 (EUR 9.7 million at 31 December 2015). The decrease compared with

the previous year-end was due to a EUR 0.2 million fall in fair value.

The table below shows the key figures for venture capital funds in the portfolio at 31 December 2016.

Venture Capital Funds Dollars (USD)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
Doughty Hanson & Co Technology	UK EU	2004	271,534,000	1,925,000	0.71
GIZA GE Venture Fund III	Delaware U.S.A.	2003	211,680,000	10,000,000	4.72
Israel Seed IV	Cayman Islands	2003	200,000,000	5,000,000	2.50
Pitango Venture Capital III	Delaware U.S.A.	2003	417,172,000	5,000,000	1.20
Totale Dollars				21,925,000	
 Eur (€)					
Nexit Infocom 2000	Guernsey	2000	66,325,790	3,819,167	5.76
 Sterlings (GBP)					
Amadeus Capital II	UK EU	2000	235,000,000	13,500,000	5.74
<i>Residual Commitments</i>					
Total residual commitment in:	Eur			4,339,479	

Alternative Asset Management

At 31 December 2016, DeA Capital S.p.A. was the owner of:

- 100% of **IDeA Capital Funds SGR**;
- 64.3% of **IDeA FIMIT SGR**;
- 71.5 % of **SPC** (which operates in debt recovery in Italy);
- 45.0% of **IRE/IRE Advisory** (which operates in project, property and facility management, and real estate brokerage).

IDEA CAPITAL FUNDS SGR >>



Capital Funds Sgr

INVESTMENT DETAILS:

IDeA Capital Funds SGR operates in the management of private equity funds (funds of funds, co-investment funds and theme funds). At 31 December 2016, the asset management company managed nine closed-end private equity funds, including four funds of funds (IDeA I FoF, ICF II, ICF III and IDeA Crescita Globale, which serves the retail market), a "direct" co-investment fund (IDeA OF I), three theme funds (IDeA EESS, which operates in energy efficiency, IDeA ToI, in the agricultural foods sector, and IDeA CCR I, Italy's leading debtor-in-possession financing fund) and, since April 2015, Investitori Associati IV (in liquidation).

The investment programmes of IDeA Capital Funds SGR, which are regulated by the Bank of Italy and Consob, capitalise on the management teams' wealth of experience.

The investment strategies of the **funds of funds** focus on building diversified portfolios in private equity funds that are in the top quartile or that are next-generation leaders with balanced asset allocation through diversification by:

- industrial sector;
- investment strategy and stage (buy-outs, venture capital, special situations, etc.);

- geographical area (Europe, US and the Rest of the World);
- maturity (commitments with investment periods diluted over time).

The investment strategies of the "**direct**" **co-investment fund** focus on minority interests in businesses that primarily concentrate on Europe, and on diversification based on the appeal of individual sectors, while limiting early stage investments.

The investment philosophy of the **IDeA EESS** sector fund focuses on growth capital and buy-out private equity to support the growth of small and medium-sized enterprises with products/services of excellence in energy efficiency and sustainable development.

The investment target of the **IDeA ToI** fund is small and medium-sized enterprises operating in the agricultural foods industry, through operations in development capital and early-stage buy-outs.

The **IDeA CCR** I fund's objective is to relaunch medium-sized Italian companies that are in financial difficulties but have solid business fundamentals.

REGISTERED OFFICE:

Italy

SECTOR:

Alternative Asset Management - Private Equity

WEBSITE:

www.ideasgr.com

*Asset under management:
1.9 billion Euro*

IDeA Capital Funds SGR

IDEA CAPITAL FUNDS SGR

The table below summarises the value of assets under management and management fees for IDeA Capital Funds SGR at 31 December 2016.

REGISTERED OFFICE:
Italy

SECTOR:
Alternative Asset
Management - Private Equity

WEBSITE:
www.ideasgr.com

(EUR million)	Asset Under Management at 31 december 2016	Management fees at 31 december 2016
IDeA Capital Funds SGR		
IDeA I FoF	681	3.4
IDeA OF I	217	1.9
ICF II	281	1.9
IDeA EESS	100	1.7
Idea Crescita Globale	55	1.4
ICF III	67	0.7
Taste of Italy	218	6.5
Investitori Associati IV	55	0.8
IDeA CCR I	263	2.4
Total IDeA Capital Funds SGR	1,937	20.7

With regard to operating performance, the company posted a year-on-year increase of EUR 351 million in assets under management; the increase is due to the third and fourth closing of the IDeA ToI fund (EUR 78 million), the closing of the IDeA CCR I fund (EUR 263 million) and the final closing of the ICF III fund (approximately EUR 10 million).

The increase in management fees, related to the foregoing, has lead to a slight contraction in profitability which is due to one-off items, that were partly associated with the launch of the IDeA CCR I fund and partly with the redefinition of the operating structure.

(EUR million)	2016	2015
AUM	1,937	1,643
Management fees	20.7	16.9
EBITDA	6.1	6.6
Net profit	3.8	4.2



IDeA FIMIT_{sgr}

INVESTMENT DETAILS:

IDeA FIMIT SGR is the largest independent real estate asset management company in Italy, with around EUR 8.7 billion in assets under management and 41 managed funds (including five listed funds). This makes it a benchmark operator, on behalf of Italian and international institutional investors, in the promotion, creation and management of mutual real estate investment funds.

IDeA FIMIT SGR undertakes three main lines of business:

- the development of mutual real estate investment funds designed for institutional clients and private investors;
- the promotion of innovative real estate financial instruments to satisfy investors' increasing demands;
- the professional management (technical, administrative and financial) of real estate funds with the assistance of in-house experts and independent technical, legal and tax advisors.

The company has concentrated investments in transactions with low risk, stable returns, low volatility, simple financial structures and, most importantly, an emphasis on property value. In particular, the asset management company specialises in "core" and "core plus" properties,



although its major investments also include "value added" transactions.

Due in part to successful transactions concluded in recent years, the asset management company is able to rely on a panel of prominent unit-holders consisting of Italian and international investors of high standing, such as pension funds, banking and insurance groups, companies and sovereign funds.

REGISTERED OFFICE:

Italy

SECTOR:

Alternative Asset Management - Real Estate

WEBSITE:

www.ideaimit.it

*Asset under management:
8.7 billion Euro*

IDeA FIMIT SGR

IDeA FIMIT SGR

The table below summarises the value of assets under management and management fees for IDeA FIMIT SGR at 31 December 2016:

(EUR million)	Asset Under Management at 31 december 2016	Management fees at 31 december 2016
Breakdown of funds		
Atlantic 1	535	2.6
Atlantic 2 Berenice	153	0.7
Alpha	336	4.2
Beta	68	0.4
Delta	200	2.6
Listed funds	1,292	10.5
Reserved funds	7,380	29.8
Total IDeA FIMIT SGR	8,672	40.3

REGISTERED OFFICE:
Italy

SECTOR:
Alternative Asset
Management - Real Estate

WEBSITE:
www.ideaimit.it

Some of the key financials of the listed funds in the asset management portfolio are provided below, with an analysis of the real estate portfolio at the date of the

latest report available, broken down by geographical area and by intended use, i.e. Atlantic 1, Atlantic 2, Alpha, Beta and Delta (in EUR).

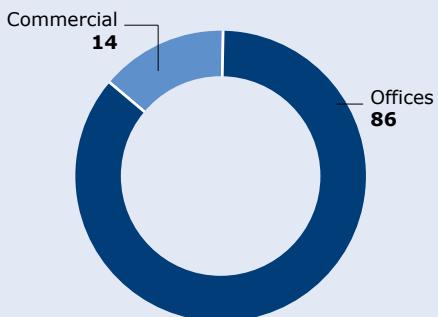
Atlantic 1		31.12.2016
Market value of properties		511,230,000
Historical cost and capitalised charges		536,367,281
Financing		258,901,087
<i>Net Asset Value (NAV)</i>		266,886,710
<i>NAV/unit (EUR)</i>		511.7
Market price/unit (EUR)		248.0
<i>Dividend yield from investment*</i>		5.21%

* Ratio of income per unit to annual average nominal value per unit

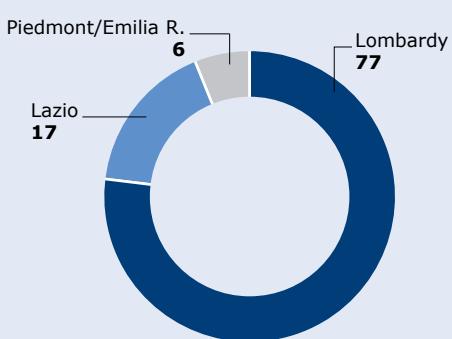
Atlantic 2 - Berenice		31.12.2016
Market value of properties		143,663,000
Historical cost and capitalised charges		187,485,854
Financing		60,000,000
<i>Net Asset Value (NAV)</i>		80,400,412
<i>NAV/unit (EUR)</i>		134.0
Market price/unit (EUR)		79.5
<i>Dividend yield from investment*</i>		8.65%

* Ratio of income per unit to annual average nominal value per unit

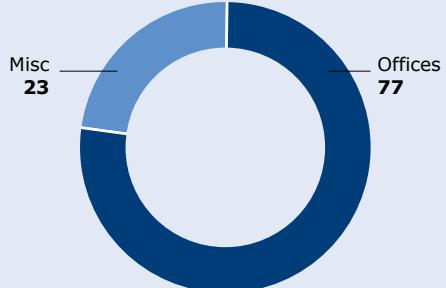
Atlantic 1:
Diversification by intended use (%)



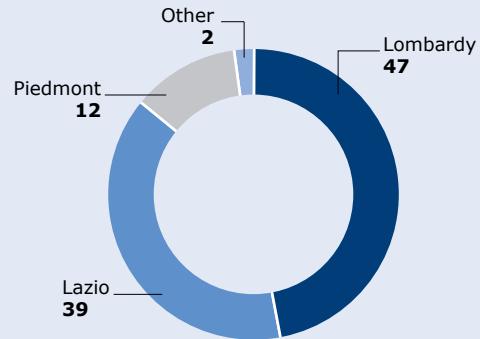
Atlantic 1:
Diversification by geographical area (%)

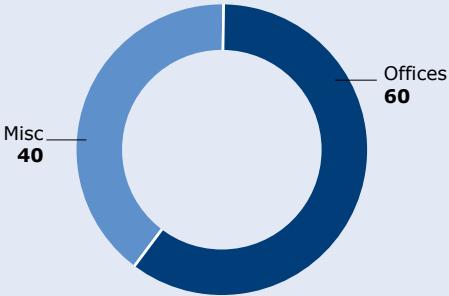
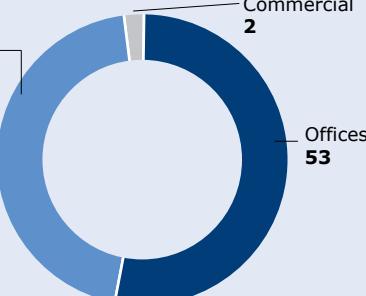
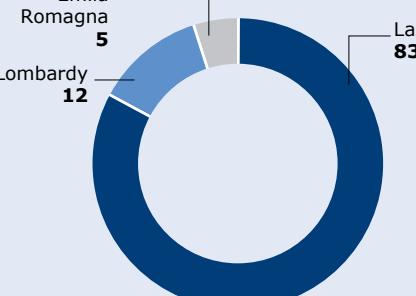
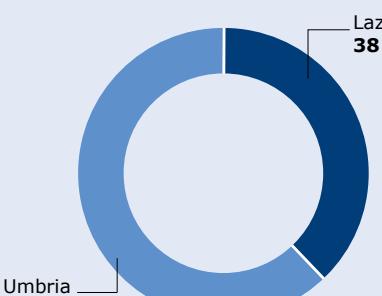


Atlantic 2:
Diversification by intended use (%)



Atlantic 2:
Diversification by geographical area (%)

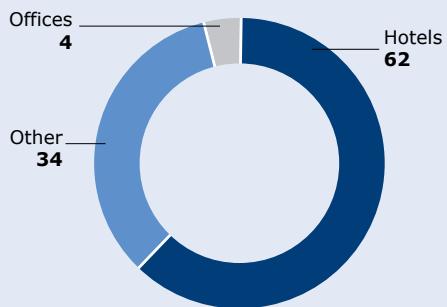


Alpha		31.12.2016	Beta		31.12.2016						
Market value of properties	296,700,000		Market value of properties	47,228,000							
Historical cost and capitalised charges	305,253,869		Historical cost and capitalised charges	71,898,355							
Financing	2,628,719		<i>Net Asset Value (NAV)</i>	46,701,015							
<i>Net Asset Value (NAV)</i>	321,994,233		<i>NAV/unit (EUR)</i>	174.0							
<i>NAV/unit (EUR)</i>	3,099.8		Market price/unit (EUR)	126.0							
Market price/unit (EUR)	1,305.0		<i>Dividend yield from investment*</i>	7.89%							
<i>Dividend yield from investment*</i>	4.79%		* Ratio of income per unit to annual average nominal value per unit								
Alpha: Diversification by intended use (%)											
 <table> <tr> <td>Misc</td> <td>40</td> </tr> <tr> <td>Offices</td> <td>60</td> </tr> </table>						Misc	40	Offices	60		
Misc	40										
Offices	60										
Beta: Diversification by intended use (%)											
 <table> <tr> <td>Commercial</td> <td>2</td> </tr> <tr> <td>Offices</td> <td>53</td> </tr> <tr> <td>Special use</td> <td>45</td> </tr> </table>						Commercial	2	Offices	53	Special use	45
Commercial	2										
Offices	53										
Special use	45										
Alpha: Diversification by geographical area (%)											
 <table> <tr> <td>Emilia Romagna</td> <td>5</td> </tr> <tr> <td>Lazio</td> <td>83</td> </tr> <tr> <td>Lombardy</td> <td>12</td> </tr> </table>						Emilia Romagna	5	Lazio	83	Lombardy	12
Emilia Romagna	5										
Lazio	83										
Lombardy	12										
Beta: Diversification by geographical area (%)											
 <table> <tr> <td>Umbria</td> <td>62</td> </tr> <tr> <td>Lazio</td> <td>38</td> </tr> </table>						Umbria	62	Lazio	38		
Umbria	62										
Lazio	38										

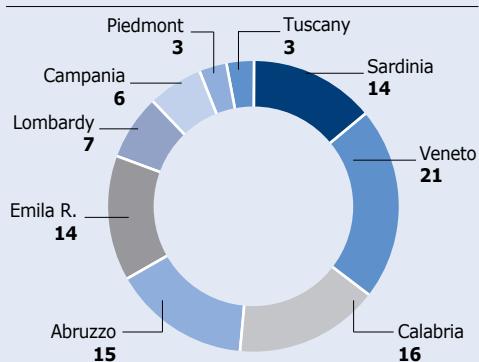
Delta	31.12.2016
Market value of properties	193,092,000
Historical cost and capitalised charges	256,494,624
<i>Net Asset Value (NAV)</i>	195,551,846
<i>NAV/unit (EUR)</i>	92.9
Market price/unit (EUR)	64.3
<i>Dividend yield from investment*</i>	n.a.

* No distribution from investment

Delta:
Diversification by intended use (%)



Delta:
Diversification by geographical area (%)



Turning to the management performance of IDeA FIMIT SGR, the company recorded lower management fees (EUR -7.4 million) than in the previous year; this was mainly due to sales by the funds managed by the asset management company, and to a review of the fees agreed with some of the managed funds. Note, however, that part of the difference is due to the extraordinary impact on the 2015 revenue figure relating to variable fees (about EUR 2 million) received by the Omicron Plus fund on the sale of a large building (Palazzo Broggi in Milan).

The net result also suffered from the impairment, net of the tax effect, of EUR 4.2 million (impairment of EUR 14.3 million in 2015) on financial equity instruments ("strumenti finanziari partecipativi", or SFP), which give entitlement to variable commission relating to the funds managed by FIMIT at the date of the merger with FARE SGR (the value is shown in the Financial Statements as the effect of the merger of the two asset management companies).

With regard to obtaining new managed assets, it should be pointed out that, during 2016, the company provided a fresh impetus to development activities (EUR 1.2 billion), notably by: (i) launching the "Yielding" fund (EUR 0.5 billion) and the "Alveare" fund (EUR 0.2 billion), with the full impact on revenue expected to be seen in 2017; and (ii) taking over management of the Aries fund (EUR 0.2 billion).

IDeA FIMIT SGR (EUR million)	2016	2015
AUM	8,672	7,884
Management fees	40.3	47.7
EBITDA	15.6	21.8
Net profit	1.2	(7.6)
<i>- of which:</i>		
<i>- Shareholders</i>	5.4	6.7
<i>- Owner of financial equity instruments</i>	(4.2)	(14.3)



REGISTERED OFFICE:
Italy

SECTOR:
Debt recovery

WEBSITE:
www.spc-spa.com

*Asset under
management:*
0.7 billion Euro

INVESTMENT DETAILS:

SPC Credit Management has been operating for over 15 years in the restructuring, outsourced management and enhancement of non-performing loans.

Over the years, the company has developed specific expertise, namely:

- debt recovery actions in and out of court (with a strong performance in out-of-court resolutions of non-performing loans);
- advisory services via the valuation and clustering of credit portfolios and the identification of strategic solutions to value these;
- due diligence and asset quality reviews of NPL portfolio acquisitions.

With specific regard to debt recovery, the company has acquired the expertise to monitor the entire range of non-performing loans, namely:

- banking (current accounts, mortgages, personal loans);
- leasing (terminated or active agreements; remaining leased properties post-sale of non-performing portfolio);
- consumer (consumer credit, salary-backed loans, credit cards);
- commercial (outstanding invoices);

with a focus on secured loans.

The shareholding in SPC, which was fully consolidated by the DeA Capital Group from July 2016, reduced the Group's net profit by EUR 0.1 million at 31 December 2016.

SPC (EUR million)	2016
Revenues	656
EBITDA	0.8
Net profit	(0.1)


INVESTMENT DETAILS:

Innovation Real Estate (IRE) operates in property valuation and is structured along the following strategic lines:

- project & construction management (property planning, development and refurbishment);
- property management (administrative and legal management of properties);
- facility & building management (services connected with buildings and related maintenance);
- due diligence (technical and environmental due diligence, town-planning regularisation procedures);
- asset management (strategic support for improving the rental condition of buildings and optimising associated management costs, in order to maximise the return on property investment).

IRE currently manages a property portfolio that comprises 50% offices, with the remainder split between commercial, tourist, logistics & industrial, and residential property.

The investment in IRE (45%), which was classified under "Investments in associates" following the sale of the controlling interest (55%) in the first half of 2016, is recorded at a value of EUR 5.3 million in the Consolidated Financial Statements for the Year Ending 31 December 2016.

Turning to management performance, the company was affected in 2016 by the completion of some project management tasks at the end of 2015 (revenue was EUR 1.9 million lower in 2016), as well as the impact of one-off income of EUR 0.6 million reflected in the 2015 figure.

Innovation Real Estate (EUR million)	2016	2015
Revenues	14.1	17.5
EBITDA	3.6	4.8
Net profit	2.7	4.4

REGISTERED OFFICE:

Italy

SECTOR:

Property Services

WEBSITE:

www.innovationre.it

Specialized in
real estate services

Consolidated Income Statement

Consolidated net profit of around EUR 12.5 million (of which EUR 12.4 million related to the Group) was recorded for the year 2016, compared with a profit of around EUR 39.2 million (of which EUR 41.1 million related to the Group) for 2015, which included large capital gains from the partial sales of Migros and stakes held by the IDeA OF I fund, totalling EUR 71.7 million.

Revenues and other income break down as follows:

- Alternative Asset Management fees of EUR 59.1 million (EUR 62.4 million in 2015);
- other investment income, net of costs, totalling EUR 12.3 million, compared with net income of EUR 72.5 million in 2015, which included capital gains from the partial sales of Migros and stakes held by the IDeA OF I fund totalling EUR 71.7 million;
- service revenues of EUR 8.5 million (EUR 18.5 million recorded in 2015), due to the deconsolidation of Innovation Real Estate S.p.A. from June 2016.

Costs totalled EUR 66.9 million for the year 2016 (EUR 128.5 million in 2015, which included amortisation and impairment on intangible assets and goodwill of EUR 62.4 million).

The yearly costs break down into EUR 60.2 million relating to Alternative Asset Management, EUR 2.1 million to Private

Equity Investment and EUR 4.5 million to holding company activities. Alternative Asset Management costs include the effects of the amortisation of intangible assets, totalling EUR 5.4 million, recorded when a portion of the purchase price of the investments was allocated.

Net financial expenses, which amounted to EUR 1.2 million at 31 December 2016 (net financial income of EUR 5.0 million in 2015, which included one-off items), broadly relate to exchange rate losses on foreign investments.

The full tax impact for 2016 (EUR -0.2 million, compared with EUR +6.5 million in 2015) is the result of taxes of EUR -3.4 million (EUR -0.4 million in 2015) due in respect of Alternative Asset Management activities, offset by tax credits of EUR +3.2 million (EUR +6.9 million in 2015) relating to holding company structures.

Of the net profit of EUR 12.5 million, about EUR +7.9 million was attributable to Private Equity Investment, EUR +7.3 million to Alternative Asset Management and EUR -2.7 million to holding company operations/eliminations.

Of the Group's net profit of EUR 12.4 million, EUR +6.6 million was attributable to Private Equity Investment, EUR +8.5 million to Alternative Asset Management and EUR -2.7 million to holding company operations/eliminations.

Summary Consolidated Income Statement

(EUR thousand)	Financial year 2016	Financial year 2015
Alternative Asset Management fees	59,114	62,416
Income (loss) from equity investments	524	(539)
Other investment income/expense	12,338	72,464
Income from services	8,509	18,496
Other income	288	3,204
Other expenses (*)	(66,888)	(128,514)
Financial income and expenses	(1,220)	4,982
PROFIT/(LOSS) BEFORE TAX	12,665	32,509
Income tax	(199)	6,452
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	12,466	38,961
Profit (Loss) from discontinued operations/held-for-sale assets	0	286
PROFIT/(LOSS) FOR THE PERIOD	12,466	39,247
- Group share	12,427	41,072
- Non controlling interests	39	(1,825)
Earnings per share, basic (€)	0.047	0.154
Earnings per share, diluted (€)	0.047	0.154

(*) Includes items "personnel costs", "service costs", "depreciation, amortization and impairment" and "other expenses".

Performance by business in 2016

(EUR thousand)	Private Equity Investment	Alternative Asset Management	Holdings/ Eliminations	Consolidated
Alternative Asset Management fees	0	60,985	(1,871)	59,114
Income (loss) from equity investments	(7)	531	0	524
Other investment income/expense	11,250	1,088	0	12,338
Income from services	0	8,336	461	8,797
Other expenses	(2,122)	(60,245)	(4,521)	(66,888)
Financial income and expenses	(1,262)	19	23	(1,220)
PROFIT/(LOSS) BEFORE TAXES	7,859	10,714	(5,908)	12,665
Income tax	0	(3,405)	3,206	(199)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	7,859	7,309	(2,702)	12,466
Profit (Loss) from discontinued operations/ held-for-sale assets	0	0	0	0
PROFIT/(LOSS) FOR THE PERIOD	7,859	7,309	(2,702)	12,466
- Group share	6,642	8,487	(2,702)	12,427
- Non controlling interests	1,217	(1,178)	0	39

Performance by business in 2015

(EUR thousand)	Private Equity Investment	Alternative Asset Management	Holdings/ Eliminations	Consolidated
Alternative Asset Management fees	0	64,672	(2,256)	62,416
Income (loss) from equity investments	(180)	(359)	0	(539)
Other investment income/expense	72,552	(88)	0	72,464
Income from services	3,054	18,549	97	21,700
Other expenses	(2,455)	(120,285)	(5,774)	(128,514)
Financial income and expenses	5,065	616	(699)	4,982
PROFIT/(LOSS) BEFORE TAXES	78,036	(36,895)	(8,632)	32,509
Income tax	0	(409)	6,861	6,452
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	78,036	(37,304)	(1,771)	38,961
Profit (Loss) from discontinued operations/ held-for-sale assets	286	0	0	286
PROFIT/(LOSS) FOR THE PERIOD	78,322	(37,304)	(1,771)	39,247
- Group share	63,516	(20,673)	(1,771)	41,072
- Non controlling interests	14,806	(16,631)	0	(1,825)

Comprehensive Income – Statement of Performance (IAS 1)

Comprehensive Income or the Statement of Performance (IAS 1), in which performance for the period attributable to the Group is reported including results posted directly to shareholders' equity, reflects a net positive balance of approximately EUR +16.7 million compared with a net negative balance of approximately EUR -13.2 million in 2015. This comprised:

- net profit of EUR 12.4 million recorded on the Income Statement;
- profits posted directly to shareholders' equity totalling EUR 4.3 million, due mainly to the increase in the fair value of IDeA I FoF and ICF II, net of the decrease in the value of Migros.

(Eur thousand)	Financial year 2016	Financial year 2015
Profit/(loss) for the period (A)	12,466	39,247
Comprehensive income/expense which might be subsequently reclassified within the profit (loss) for the period	5,660	(60,177)
Gains/(losses) on remeasurement of defined benefit plans	27	41
Other comprehensive income, net of tax (B)	5,687	(60,136)
Total comprehensive income for the period (A)+(B)	18,153	(20,889)
Total comprehensive income attributable to:		
- Group Share	16,687	(13,165)
- Non Controlling Interests	1,466	(7,724)

Consolidated statement of financial position

Below is the Group's statement of financial position at 31 December 2016, compared with 31 December 2015.

(EUR thousand)	December 31, 2016	December 31, 2015
Non-current assets		
Intangible and tangible assets		
Goodwill	129,399	129,595
Intangible assets	27,184	37,539
Property, plant and equipment	2,145	3,119
Total intangible and tangible assets	158,728	170,253
Investments		
Investments valued at equity	33,449	11,467
Investments held by Funds	84,084	90,675
- available for sale investments	47,845	52,536
- invest. in associates and JV valued at FV through P&L	36,239	38,138
Other available-for-sale companies	67,166	76,464
Available-for-sale funds	182,787	173,730
Other available-for-sale financial assets	22	26
Total Investments	367,508	352,362
Other non-current assets		
Deferred tax assets	1,992	3,676
Loans and receivables	960	0
Tax receivables from Parent companies	0	0
Other non-current assets	30,147	31,795
Total other non-current assets	33,099	35,471
Total non-current assets	559,335	558,086
Current assets		
Trade receivables	11,191	17,818
Available-for-sale financial assets	4,242	7,532
Financial receivables	2,715	3,467
Tax receivables from Parent companies	2,282	2,667
Other tax receivables	9,190	4,567
Other receivables	3,976	2,876
Cash and cash equivalents	96,438	123,468
Total current assets	130,034	162,395
Total current assets	130,034	162,395
Held-for-sale assets	11,487	11,487
TOTAL ASSETS	700,856	731,968
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	261,207	263,923
Share premium reserve	267,640	299,647
Legal reserve	61,322	61,322
Fair value reserve	67,842	62,178
Other reserves	(11,661)	(11,720)
Retained earnings (losses)	(129,574)	(169,434)
Profit/(loss) for the year	12,427	41,072
Net equity Group	529,203	546,988
Minority interests	131,844	138,172
Shareholders' equity	661,047	685,160
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	8,588	10,801
Provisions for employee termination benefits	4,016	4,713
Long term financial loans	19	0
Payables to staff	207	0
Total non-current liabilities	12,830	15,514
Current liabilities		
Trade payables	6,019	15,598
Payables to staff and social security organisations	7,033	7,341
Current tax	2,941	3,384
Other tax payables	1,429	1,571
Other payables	8,335	2,749
Short term financial loans	1,222	651
Total current liabilities	26,979	31,294
Held-for-sale liabilities	0	0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	700,856	731,968

At 31 December 2016, Group shareholders' equity was EUR 529.2 million, compared with EUR 547.0 million at 31 December 2015. The decrease of about EUR -17.8 million in Group shareholders' equity in 2016 was broadly due to the extraordinary dividend paid (EUR -31.6 million) and to the reasons already discussed relating to the Statement of Performance - IAS 1 (EUR +16.7 million).

Consolidated net financial position

At 31 December 2016, the consolidated net financial position was EUR 103.1 million, as shown in the table below, which provides a comparison with 31 December 2015:

Net financial position (EUR million)	31.12.2016	31.12.2015	Change
Cash and cash equivalents	96.4	123.5	(27.1)
Available-for-sale financial assets	4.2	7.5	(3.3)
Financial receivables	3.7	3.5	0.2
Non-current financial liabilities	0.0	0.0	0.0
Current financial liabilities	(1.2)	(0.7)	(0.5)
TOTAL	103.1	133.8	(30.7)
of which:			
- <i>Alternative Asset Management</i>	23.3	40.4	(17.1)
- <i>Private Equity Investment</i>	0.1	3.4	(3.3)
- <i>Holdings</i>	79.7	90.0	(10.3)

The change in the consolidated net financial position in 2016 was broadly due to the distribution of the extraordinary dividend by DeA Capital S.p.A. (EUR -31.6 million) and net liquidity generated by investments in private equity funds in the portfolio (EUR +9.9 million).

The Company believes that the cash and cash equivalents and the other financial resources available are sufficient to meet

the requirement relating to payment commitments already subscribed to in funds, also taking into account the amounts expected to be called up/distributed by these funds. With regard to these residual commitments, the Company believes that the resources currently available, as well as those that will be generated by its operating and financing activities, will enable the DeA Capital Group to meet the financing required for its investment activity and to manage working capital.

6. Results of the Parent Company DeA Capital S.p.A.

The Parent Company DeA Capital S.p.A. operates as a holding company that carries out activities of coordination, development and strategic management of its subsidiaries, and also acts as an entity that makes financial investments directly.

A summary of the Income Statement and the Statement of Financial Position of DeA Capital S.p.A. for the year ended 31 December 2016 is shown below.

Income Statement of the Parent Company

(EUR)	Financial year 2016	Financial year 2015
Other investment income/expense	9,268,634	(30,601,165)
Income from services	1,817,467	1,767,185
Other income	37,283	9,106,713
Personnel costs	(7,716,902)	(7,155,543)
Financial income	13,704	(430,150)
PROFIT/(LOSS) BEFORE TAX	3,420,186	(27,312,960)
Income tax	4,153,721	8,413,374
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	7,573,907	(18,899,586)
Profit (Loss) from discontinued operations/held-for-sale assets	0	0
PROFIT/(LOSS) FOR THE YEAR	7,573,907	(18,899,586)

The Parent Company reported net profit of around EUR 7.6 million for 2016 (compared with a loss of EUR 18.9 million in

2015), achieved mainly thanks to dividend flows from investee companies.

Statement of Financial Position of the Parent Company

The Parent Company's Statement of Financial Position at 31 December 2016, compared with 31 December 2015, is shown below.

(EUR)	31.12.2016	31.12.2015
ASSETS		
Non-current assets		
Intangible and tangible assets		
Intangible assets	8,917	14,965
Tangible assets	330,072	469,416
<i>Total intangible and tangible assets</i>	338,989	484,381
Investments		
Subsidiaries and joint ventures	219,865,219	221,680,803
Associates	20,832,375	4,202,710
Available-for-sale investments	67,129,899	76,464,384
Available-for-sale funds	138,080,795	141,803,236
<i>Total Investments</i>	445,908,288	444,151,133
Other non-current assets		
Deferred tax assets		
Tax receivables from Parent companies		
<i>Total other non-current assets</i>	19,332	0
Total non-current assets	446,266,609	444,635,514
Current assets		
Trade receivables		
Financial receivables		
Tax receivables from Parent companies		
VAT receivables from Parent companies		
Other tax receivables		
Other receivables		
Cash and cash equivalents		
<i>Total current assets</i>	74,230,746	95,112,068
Total current assets	74,230,746	95,112,068
Held-for-sale assets	11,486,685	11,486,685
TOTAL ASSETS	531,984,040	551,234,267
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Shareholders' equity	529,670,590	549,106,243
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	0	0
Provisions for employee termination benefits	344,889	285,844
Deferred tax liabilities	344,889	285,844
Provisions for employee termination benefits		
Trade payables	913,870	1,200,066
Payables to staff and social security organisations	686,915	371,021
Current tax payables	63,926	63,926
Other tax payables	263,928	198,561
Other payables	39,922	8,606
Total current liabilities	1,968,561	1,842,180
Held-for-sale liabilities	0	0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	531,984,040	551,234,267

At 31 December 2016, the Parent Company's shareholders' equity totalled about EUR 529.7 million compared with EUR 549.1 million at 31 December 2015, a decrease of about EUR

-19.4 million, largely due to the partial distribution of the share premium reserve (EUR -31.6 million) which was partly offset by comprehensive income of EUR +14.9 million.

Pursuant to the Consob Communication of 28 July 2006, a reconciliation between the profit and shareholders' equity at 31 December 2016 reported by the Parent Company DeA Capital S.p.A. is shown below, together with the corresponding consolidated figures.

(EUR thousand)	Net Equity at 31.12.2016	Net Profit/ (Loss) 2016	Net Equity at 31.12.2015	Net Profit/ (Loss) 2015
EQUITY and net profit/(loss) for the year, as reported in the Parent Company financial statement	529,671	7,574	549,106	(18,900)
<i>Elimination of book values from consolidated shareholdings:</i>				
- Surplus of net equity reported in financial statements compared to book values of shareholdings in consolidated companies	(468)	0	(2,118)	0
- Pro-rata results achieved by shareholdings	0	17,508	0	17,655
- Elimination of dividends received by shareholdings		(9,917)		(5,005)
- Pro-rata results achieved by associated companies, valued as Shareholders' Equity	0	571	0	(540)
- Elimination of revaluation / impairment of investments in DeA Capital S.p.A.	0	6,914	0	53,379
- Elimination of dividend received from DeA Capital S.p.A.	0	(10,223)	0	(5,517)
EQUITY and Group share of net profit/(loss)	529,203	12,427	546,988	41,072
EQUITY and minority interests share of net profit/(loss)	131,844	39	138,172	(1,825)
EQUITY and net profit for the year, as reported in the consolidated financial statements	661,047	12,466	685,160	39,247

7. Other information

Treasury shares and Parent Company shares

As already described in the "Significant events during the year" section, on 21 April 2016 the Shareholders' Meeting of DeA Capital S.p.A. authorised the Board of Directors to buy and sell, on one or more occasions and on a revolving basis, a maximum number of treasury shares representing a stake of up to 20% of the share capital.

The new plan replaces the previous plan approved by the shareholders' meeting on 17 April 2015 (which was scheduled to expire with the approval of the 2015 Annual Financial Statements), and will pursue the same objectives, including purchasing treasury shares to be used for extraordinary transactions and share incentive schemes, offering shareholders a means of monetising their investment, stabilising the share price and regulating trading within the limits of current legislation.

The authorisation specifies that purchases may be made until the date of the shareholders' meeting to approve the Financial Statements for the Year Ending 31 December 2016, and in any case not beyond the maximum duration of 18 months allowed by law, and that DeA Capital S.p.A. may also sell the shares purchased for the purposes of trading, without time limits. The unit price for the purchase of the shares will be set on a case-by-case basis by the Board of Directors, but must not be more than 20% above or below the share's reference price on the trading day prior to each purchase.

The authorisation to sell treasury shares already held in the Company's portfolio and any shares bought in the future was granted for an unlimited period; sales may be carried out using the methods deemed most appropriate and at a price to be determined on a case-by-case basis by the Board of Directors, which must not, however, be more than 20% below the share's reference price on the trading day prior to the sale (apart from certain exceptions specified in the plan), although this limit may not apply in certain cases.

On the same date, the Board of Directors voted to implement the plan to buy and sell treasury shares authorised by the shareholders' meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation, and set the maximum unit price above which purchases of treasury shares may not be made, at the NAV per share indicated in the most recent statement of financial position approved and disclosed to the market.

At the same meeting, the Company's Board of Directors also voted to adopt market practice regarding the acquisition of

treasury shares by setting up a "securities warehouse", as permitted by Consob Resolution 16839 of 19 March 2009.

In 2016, DeA Capital S.p.A. purchased 3,178,745 shares for a price of about EUR 3.8 million.

Taking into account purchases made in previous years for plans in place at any given time, and the use of treasury shares to service purchases of controlling interests in FARE Holding and IDeA Alternative Investments and to service incentive plans, at 31 December 2016 the Company owned 45,404,954 treasury shares (equal to about 14.8% of share capital).

At the date of this document, based on purchases of 451,966 shares made after the end of 2016, the Company held a total of 45,856,920 treasury shares corresponding to about 14.96% of the share capital.

During 2016, the Company did not hold, purchase or sell, on its own account or through a trust company, any shares in the Parent Company De Agostini S.p.A.

Transactions with parent companies, subsidiaries and related parties

Transactions with related parties, including those with other Group companies, were carried out in accordance with the Procedure for Related Party Transactions adopted by the Company with effect from 1 January 2011, in accordance with the provisions of the Regulation implemented pursuant to art. 2391-bis of the Italian Civil Code with Consob Resolution 17221 of 12 March 2010, as subsequently amended. During the year, the Company did not carry out any atypical or unusual transactions with related parties. In addition, it did not carry out any "significant transactions" as defined in the above-mentioned procedure. Transactions with related parties during the year were concluded under standard market conditions, taking into account the nature of the goods and/or services offered.

With regard to transactions with parent companies, note the following:

1) DeA Capital S.p.A. signed a service agreement with the controlling shareholder, De Agostini S.p.A., for the latter to provide operating services in administration, finance, control, legal, corporate, tax, investor relations, and institutional and press services.

This agreement, which is automatically renewed each year, is priced at market rates, and is intended to allow the Company to maintain a streamlined organisational structure in keeping with its development policy, while obtaining sufficient operational support.

At the same time, on 1 January 2013, DeA Capital S.p.A. signed an "Agreement to sub-let property for intended use other than residential use" with the controlling shareholder, De Agostini S.p.A. The agreement relates to parts of a building located at Via Brera, 21, Milan, comprising space for office use, warehousing and car parking.

This agreement is renewable every six years after an initial term of seven years.

2) DeA Capital S.p.A., IDeA Capital Funds SGR, DeA Capital Real Estate and Idea Real Estate have adopted the national tax consolidation scheme of the De Agostini Group (the Group headed by De Agostini S.p.A., formerly B&D Holding di Marco Drago e C. S.a.p.a.). This option was exercised jointly by each company and De Agostini S.p.A. through the signing of the "Regulation for participation in the national tax consolidation scheme for companies in the De Agostini Group" and notifying the tax authorities of this option pursuant to the procedures and terms and conditions laid down by law. The option is irrevocable unless the requirements for applying the scheme are not met.

The option is irrevocable for DeA Capital S.p.A. for the three-year period 2014-2016, for IDeA Capital Funds SGR for the three-year period 2015-2017 and for DeA Capital Real Estate and Idea Real Estate for the three-year period 2016-2018.

3) In order to allow more efficient use of liquidity and the activation of credit lines with potentially better terms and conditions compared with those that may be obtained from banks, DeA Capital S.p.A. has signed a framework agreement (Framework Agreement) with the Parent Company De Agostini S.p.A. for the provision of short-term intercompany loans/deposits.

Deposit/financing operations falling within this Framework Agreement shall be activated only subject to verification that the terms and conditions, as determined from time to time, are advantageous, and will be provided on a revolving basis, and with maturities of not more than three months. The Framework Agreement has a duration of one year and is automatically renewed each year.

The amounts involved in the deposit/financing operations will, however, always be below the thresholds defined for "transactions of lesser importance" pursuant to Consob Regulation 17221/2010 (Transactions with Related Parties) and the internal Procedure for Related Party Transactions adopted by DeA Capital S.p.A.

Note that there were no deposit/financing operations between DeA Capital S.p.A. and the Parent Company De Agostini S.p.A. arising from the above-mentioned Framework Agreement.

Equity interests, remuneration, stock options and performance shares held by directors, auditors, general managers and managers with strategic responsibilities

Information regarding the equity interests held by directors, auditors, general managers and managers with strategic responsibilities is reported in the relevant sections of the Annual and Consolidated Financial Statements.

Information on remuneration, and on stock options and performance shares allocated to directors, auditors, general managers and managers with strategic responsibilities is provided in the related sections of the Annual and Consolidated Financial Statements and in the Remuneration Report pursuant to art.123-ter of the TUF in accordance with art. 84-quater of the Issuer Regulation, which is available to the public at the headquarters of DeA Capital S.p.A. and on the Company's website www.deacapital.it.

Management and coordination

The Company is controlled by De Agostini S.p.A., which, in accordance with art. 2497-sexies of the Italian Civil Code, carries out management and coordination activities on behalf of the Company. Please see the Notes to the Financial Statements above for key figures from the latest approved financial statements of De Agostini S.p.A.

Research and development activities

Pursuant to art. 2428, para. 3 of the Italian Civil Code, the Company did not carry out any research and development activity in 2016.

Atypical or unusual transactions and non-recurring significant events and transactions

Pursuant to Consob Communication 6064293 of 28 July 2006, in 2016 neither the Company nor the Group carried out any atypical or unusual transactions or significant transactions that were not a part of its ordinary operations.

Corporate governance

With regard to the corporate governance system of DeA Capital S.p.A., adopted to bring the Company into line with the principles of the Code of Conduct approved by the "Committee for the Corporate Governance of Listed Companies" (Code of Conduct), please see the document entitled "Report on Corporate Governance and Ownership Structure" (found in the Corporate Governance section of the Company's website). Below is a summary of the main information governing DeA Capital S.p.A.'s corporate governance.

Issuer profile

The Issuer's corporate governance structure is based on the traditional administration and control model, and hinges on the central role played by the Board of Directors, the proper disclosure of management decisions, an effective internal control system, the appropriate regulation of potential conflicts of interest, and on rigorous standards of conduct for carrying out transactions with related parties.

Extent of application of the Code of Conduct

DeA Capital S.p.A. adheres to the Code of Conduct. Please see the "Report on Corporate Governance and Ownership Structure" published on the Company's website (Corporate Governance section) for information on the degree of application of the provisions contained in the Code of Conduct.

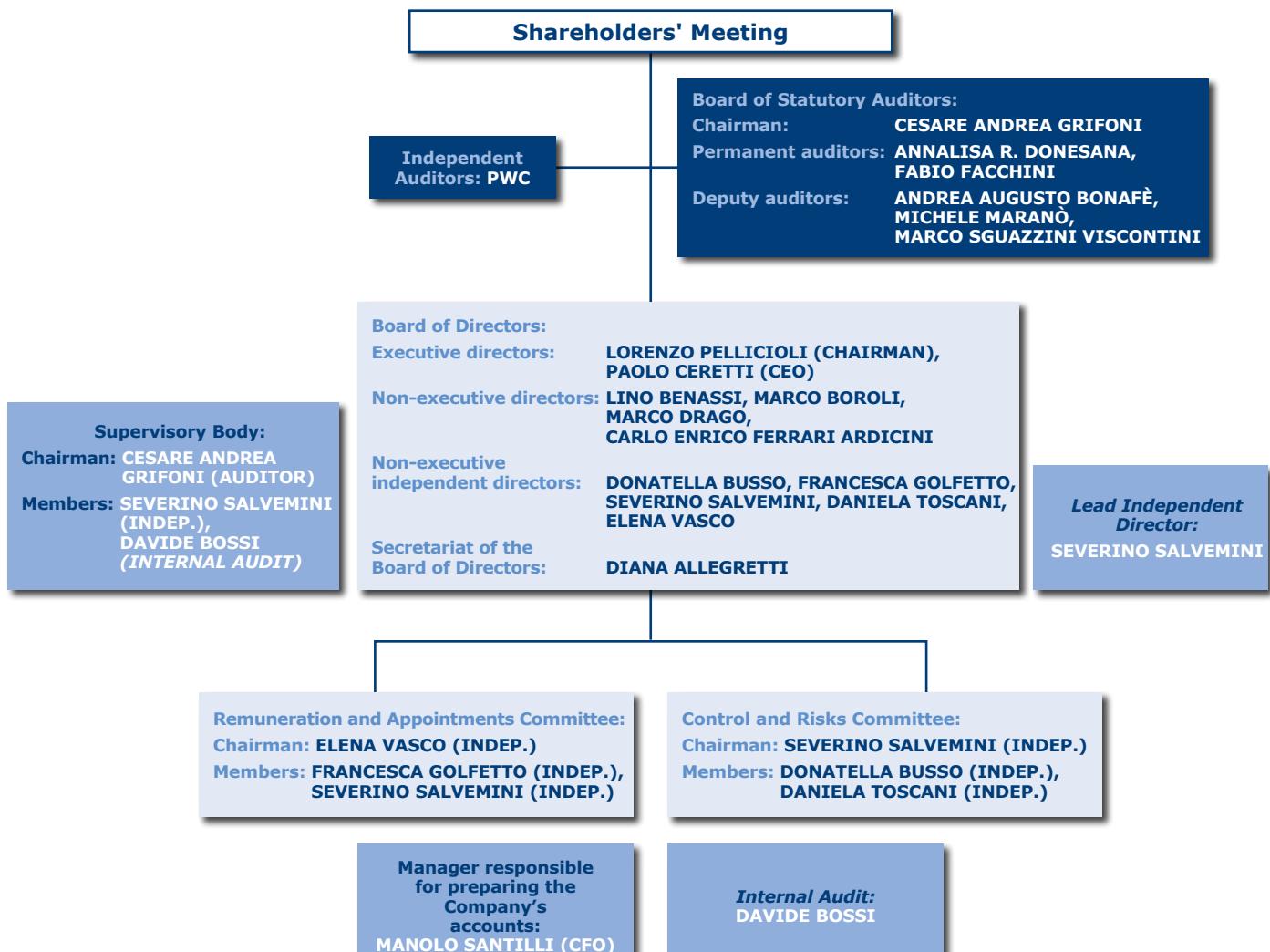
Corporate bodies

- The **Board of Directors** consists of 11 members, nine of whom are non-executive directors, and five of whom are independent directors. It plays a key role in the corporate governance system of DeA Capital S.p.A. In particular, it has the power and the duty to manage the operations of the Issuer with the ultimate and main goal of creating value for shareholders.

Pursuant to the articles of association, the Board manages the Company's business and is invested with all the administrative powers needed for this purpose, with the exception of those powers reserved for the shareholders' meeting, pursuant to legislation and the articles of association. The Board of Directors has conferred on the Chairman, Lorenzo Pellicioli, and the CEO, Paolo Ceretti, all the powers of ordinary and extraordinary administration, with the authority to sign: (i) with individual signature, any deed, document or contract that involves an actual or prospective expenditure commitment or is connected with an investment of up to and including EUR 20,000,000; (ii) with joint signature, any deed, document or contract that involves an actual or prospective expenditure commitment or is connected with an investment of between EUR 20,000,000 and EUR 100,000,000. The Board of Directors, however, has the exclusive authority for any decision on expenditure commitments and investments of over EUR 100,000,000.

In 2016, the Board of Directors met five times. For 2017, the calendar of scheduled meetings has been published in both Italian and English (also available on the website www.deacapital.it).

- The **Board of Auditors** comprises six members (the chairman, two permanent auditors and three deputy auditors). It monitors compliance with the law and the Company's articles of association, observance of the principles of proper management, and the suitability and proper functioning of the organisational, administrative and accounting structure. In 2016, the Board of Auditors met seven times.
- The **Remuneration and Appointments Committee** comprises three independent directors and: (i) as part of its remuneration duties, submits proposals to the Board of Directors concerning the remuneration of the Chief Executive Officer, and assesses the Chief Executive Officer's recommendations regarding the remuneration of managers with strategic responsibilities; (ii) as part of its duties with regard to the appointment and composition of the Board of Directors, submits recommendations to the Board on the appropriate professional profile of board members in order to ensure its optimal composition and efficient operation, formulates opinions on the size and composition of the Board and recommends candidates for the post of director in cases of co-option. In 2016, the Remuneration Committee met twice.
- The **Control and Risks Committee** comprises three independent directors. The Committee has a consultative role and makes proposals to the Board of Directors. In 2016, the Control and Risks Committee met six times.



Main risks and uncertainties to which the Parent Company and consolidated Group companies are exposed

As described in the Report on Operations, the DeA Capital Group operates through, and is structured as, two business areas, Private Equity Investment and Alternative Asset Management.

The risks set out below take into account the features of the market and the operations of the Parent Company DeA Capital S.p.A. and the consolidated Group companies, the main findings of a risk assessment carried out in 2016, as well as the periodic monitoring conducted partly through the regulatory policies adopted by the Group.

The Group has adopted a modern corporate governance system that provides effective management of the complexities of its operations, and enables both individual companies and the Group to achieve their strategic objectives. Furthermore, the assessments carried out by the organisational units and the directors confirm both the non-critical nature of these risks and uncertainties, as well as the DeA Capital Group's financial solidity.

With reference to the specific risks relating to Migros, the main private equity investment, please see the Migros Annual Report (available on the Migros website).

A. Contextual risks

A.1 Risks relating to general economic conditions

The operating performance and financial position of the DeA Capital Group are affected by the various factors that make up the macro-economic environment in the countries in which the Group has invested, including GDP performance, investor and consumer confidence, interest rates, inflation, the costs of raw materials and unemployment. The ability to meet medium- to long-term objectives could be affected by general economic trends, which could slow the development of sectors the Group has invested in and/or the business of the investee companies.

A.2 Socio-political events

In line with its own strategic growth guidelines, one of the DeA Capital Group's activities is private equity investment in companies and funds in different jurisdictions and countries around the world which, in turn, invest in a number of countries and geographical areas. The DeA Capital Group may have invested in foreign countries whose social, political and economic conditions put the achievement of its investment objectives at risk.

A.3 Regulatory changes

Group companies conduct their operations in regulated sectors and markets. Any changes to or developments in the legislative or regulatory framework that affect the costs and revenues structure of investee companies or the tax regime applied could have negative effects on the Group's financial results and necessitate changes to the Group's strategy. To combat this risk, the Group has established procedures to constantly monitor sector regulation and any changes thereto, in order to take advantage of business opportunities and respond promptly to any changes to the prevailing legislation and regulations.

A.4 Performance of the financial markets

The Company's ability to meet its strategic and management objectives could depend on the performance of financial markets. A negative trend in financial markets could have an effect on the Private Equity Investment sector in general, making investment and divestment transactions more complex, and, in particular, on the Group's capacity to increase the value of investments. The value of shareholdings held directly or indirectly through funds in which the Company has invested could be affected by factors such as comparable transactions concluded on the market, sector multiples and market volatility. These factors that cannot be directly controlled by the Group are constantly monitored in order to identify appropriate response strategies that involve both the provision of guidance for the management of Group companies, and the investment and value enhancement strategy for the assets held.

A.5 Exchange rates

Holding investments in currencies other than the euro exposes the Group to changes in exchange rates between currencies. The investment in Kenan Investments is managed as a special case, since although it was made in euros, the underlying asset is expressed in Turkish lira. Taking into account the time horizon of the investment, it is believed that the expected return on the investment could absorb any devaluation of the underlying currency, if this is in line with the outlook.

A.6. Interest rates

Financing operations that are subject to variable interest rates could expose the Group to a decrease in the value of direct and indirect investments if the reference interest rates rise significantly. Here too, the Group has adopted procedures to constantly monitor the risk concerned.

B. Strategic risks

B.1 Concentration of the Private Equity investment portfolio

The Private Equity Investment strategy adopted by the Group includes:

- direct investments
- indirect investments (via funds)

Within this strategy, the Group's overall profitability could be adversely affected by an unfavourable trend in one or a few investments, if there were insufficient risk diversification, resulting from the excessive concentration of investment in a small number of assets, sectors, countries, currencies, or of indirect investments in funds with limited investment targets/types of investment.

To address these risk scenarios, the Group pursues an asset allocation strategy aimed at creating a balanced portfolio with a moderate risk profile. Furthermore, the combination of direct and indirect investments, which, by their nature, provide a high level of diversification, helps reduce the level of asset concentration.

B.2 Concentration of Alternative Asset Management assets

In the Alternative Asset Management business, events could lead to excessive concentration of assets and therefore hinder achievement of the level of expected returns. These events could be due to:

- Private equity funds
 - concentration of the assets managed by asset management companies across a limited number of funds, if it were decided to terminate the asset management mandate for one or more funds;
 - concentration of the financial resources of the funds managed across a limited number of sectors and/or geographical areas, in the event of a currency, systemic or sector crisis;
 - for closed-end funds, the concentration of the commitment across just a few subscribers.
- Real estate funds
 - concentration of real estate present in the portfolio of managed funds in a few cities and/or in limited types of property (management/commercial), in the event of a crash in the property market concerned;
 - concentration in respect of certain major tenants, if they were to withdraw from the rental contracts, which could lead to a vacancy rate that could have a negative impact on the funds' financial results and the valuation of the properties managed;

- concentration of the maturities of numerous real estate funds within a narrow timeframe, with related high availability of property on the market, leading to a decrease in property values and an increase in selling times.

For each of the risk scenarios outlined above, the Group has defined and implemented appropriate strategies that include strategic, operational and management aspects, as well as a system monitoring the level of asset diversification in the Alternative Asset Management business.

B.3 Key resources (governance/organisation)

The success of the DeA Capital Group depends to a large extent on its executive directors and certain key management figures, their ability to efficiently manage the business and the ordinary operations of the Group, as well as their knowledge of the market and the professional relationships established. The departure of one or more of these key resources, without a suitable replacement being found, as well as an inability to attract and retain new and qualified resources, could impact growth targets and have a negative effect on the Group's operating performance and financial results. To mitigate this risk, the Group has put in place HR management policies that correspond closely to the needs of the business, and incentive policies that are periodically reviewed, in light of, among other things, the general macroeconomic climate and the results achieved by the Group.

C. Operating risks

C.1. Investment operations

Investment operations conducted by the Group are subject to the risks typical of private equity activities, such as the accurate valuation of the target company and the nature of the transactions carried out. The Group has implemented a structured process of due diligence on the target companies and a careful definition of shareholders' agreements in order to conclude agreements in line with the investment strategy and the risk profile defined by the Group.

C.2. Compliance with covenants

Some investment operations were concluded using financial leverage to invest in the target companies. For financing contracts signed by investee companies, specific covenants generally backed by collateral are in place; failure to comply with these could necessitate recapitalisation operations for investee companies and lead to an increase in financial charges relating to debt refinancing. Failure to comply with covenants attached to loans could have negative effects on both the financial situation and operations of investee companies, and the value of the investment.

C.3. Divestment operations

In its Private Equity Investment business, the Group generally invests over a medium- to long-term time horizon. Over the investment management period, external situations could arise that might have a significant impact on the operating results of the investee companies and, consequently, on the value of the investment itself. Furthermore, in the case of co-investment, guiding the management of an investee company could prove problematic or infeasible, and it may ultimately prove impossible to dispose of the stakes held due to lock-up clauses. The divestment strategy could therefore be negatively affected by various factors, some of which cannot be foreseen at the time the investments are made.

To combat these risk situations, the Group has defined a process to monitor the performance of its investee companies, facilitated by its representation on the management bodies of significant investee companies, with a view to identifying any critical situations in good time.

C.4. Funding Risk

The income flows expected from the Alternative Asset Management business depend on the capacity of the Group's asset management companies to stabilise/grow their assets under management. In this environment, fundraising activities could be harmed both by external and internal factors, such as bad timing in respect of fundraising activities by the asset management companies, or the departure of key managers from the companies. The Group has established appropriate risk management strategies in relation to fundraising, with a view to both involving new investors and retaining current investors.

Other information

At 31 December 2016, the Group had 186 employees, including 33 senior managers, 56 middle managers and 97 clerical staff. Of these, 178 worked in Alternative Asset Management and 15 in Private Equity Investment/the Holding Company. These staff levels do not include personnel on secondment from the Parent Company De Agostini S.p.A.

With regard to the regulatory requirements set out in art. 36 of the Market Regulation on conditions for the listing of parent companies, companies formed or regulated by laws of non-EU countries and of major importance in the consolidated financial statements, it is hereby noted that no Group company falls within the scope of the above-mentioned provision.

Furthermore, conditions prohibiting listing pursuant to art. 37 of the Market Regulation relating to companies subject to the management and coordination of other parties do not apply.

Management

Lorenzo Pellicioli, Executive Chairman

Lorenzo Pellicioli (66 years old) is Chairman of the Board of Directors of DeA Capital. He started his career as a journalist for the newspaper Giornale Di Bergamo and afterwards became Vice-President of Bergamo TV Programmes. From 1978 to 1984 he held different posts in Italian private television sector: for Manzoni Pubblicità, for Publikompass up to his nomination as Rete 4 General Manager. In 1984 he joined Gruppo Mondadori, the leading Italian publishing group. He was initially appointed General Manager for Advertising Sales, and Mondadori Periodici (magazines) Deputy General Manager, and afterwards President and CEO of Manzoni & C. S.p.A., the Group's advertising representative. From 1990 to 1997, he served first as President and CEO of Costa Cruise Lines in Miami, which is part of the Costa Crociere Group operating in the North American market (USA, Canada and Mexico) and then became General Manager of Costa Crociere S.p.A., based in Genoa. From 1995 to 1997 he was also President and CEO of Compagnie Française de Croisières (Costa-Paquet), the Paris-based subsidiary of Costa Crociere. From 1997 onwards he participated in the privatisation of SEAT Pagine Gialle, which was purchased by a group of financial investors. After the acquisition he was appointed CEO of SEAT. In February 2000 he also took charge of the Internet Business unit of Telecom Italia, subsequent to the sale of SEAT. In September 2001, following the acquisition of Telecom Italia by the Pirelli Group, he resigned. As from November 2005 he became CEO of the De Agostini Group. He was Chairman of Gtech from August 2006 until April 2015 and, after the merger with IGT, he became Vice Chairman of IGT. He is a member of the Board of Directors of Assicurazioni Generali S.p.A.. He is also member of the Advisory Boards of Wisequity II, Macchine Italia and Palamon Capital Partners. On April 3, 2017 he was honoured with the title of *Chevalier dans l'ordre de la Légion d'Honneur*.

Paolo Ceretti, Chief Executive Officer

Paolo Ceretti (62 years old) is Chief Executive Officer of DeA Capital since 2007. He gained his professional experience inside the Agnelli Group, holding from 1979 positions of increasing importance at Fiat SpA (Internal Auditing and Finance) and in the Financial Services Sector (Planning, Credit and Control) and subsequently assuming the position of Head of Strategic Planning and Development of Ifil (now EXOR). After assuming responsibility for the internet B2C sector of Fiat/Ifil in 1999 as CEO of CiaoHolding and CiaoWeb, he was appointed CEO of GlobalValue SpA, at Fiat/IBM joint venture in the Information Technology sector. Since 2004, he has been General Manager of De Agostini S.p.A., the holding of the De Agostini Group where he is also CEO of IDeA Capital Funds and of De Agostini Editore. He is a member of the Board of Directors of IGT, Banijay Group and other companies of the Group.



For further info:
www.deacapital.it
section: *About Us*

**Manolo Santilli, Chief Financial Officer
and Investor Relations Director**

Manolo Santilli (48 years old) is Chief Financial Officer of DeA Capital since February 2007 and Investor Relations director since July 2016. He gained his professional experience starting in 1996 in STET International in the Planning, Controlling and Initiative Evaluation area, subsequently assuming in 2000 the responsibility of Administration and Control at IFIL/FIAT of the Internet Start-up Ciaoweb. In 2002 he became Investment Manager in Finmeccanica and since 2004 he entered the De Agostini Group where he is currently also Administration, Finance and Reporting Manager for De Agostini S.p.A.. In 1994 he graduated in Economics at the Università Commerciale L. Bocconi of Milan. He is also Auditor and member of the Professional Accountants register in Pescara.

Gianandrea Perco, Head of Strategy and Management of existing shareholdings

Gianandrea Perco (43 years) joined DeA Capital in August 2015, reporting directly to the Chief Executive Officer, and supports top management in strategic investments, divestments and management of existing shareholdings. His professional experience began in 1997 in Mediobanca, in the equity capital market team, and in 2000, he moved to Lehman Brothers Investment Banking team. In 2001, he started his experience in UniCredit where he developed his carrier for 10 years in the Corporate and Investment Banking division, heading the Italian Corporate Finance Advisory team and the Multinational Financing team. In 2011 he joined FondiariaSai as Deputy General Manager with the responsibility of the Real Estate business, of the diversified businesses and of the M&A team. From 2013 to July 2015 he was a Partner at PwC Italy heading the M&A team. He graduated with full marks with honors in Management at Università Commerciale Luigi Bocconi in Milan.



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Significant events after the end of 2016 and outlook

No significant events have taken place since the end of 2016. The outlook for 2017 continues to focus on the strategic development guidelines followed last year, with an emphasis on increasing the value of assets in the Private Equity Investment area and on developing the Alternative Asset Management platform.

With regard to the **Private Equity Investment** area, the Company will continue its efforts to increase the value of the investments in its portfolio, and will evaluate opportunities for new co-investment/club deal initiatives – including with funds managed by the platform – of a smaller unit size than in the past. The Group will also continue to sponsor new initiatives promoted by the asset management platform, and will use its available capital, partly arising from the sale of assets currently held in the portfolio, to invest in funds launched by this platform.

Turning to **Alternative Asset Management**, as referred to above, the Group will continue to develop platforms for both private equity (through IDeA Capital Funds SGR) and real estate (through IDeA FIMIT SGR); its aims are to consolidate its leadership in Italy, and expand its Italian and international investor base along with its product range, with a greater focus on the NPL (non-performing loans) segment in its broadest sense. Within this framework, in order to best capitalise on its internal know-how, the Group will strengthen coordination of its development/investor coverage functions, with the additional aim of raising awareness of DeA Capital as an integrated platform comprising private equity, real estate and NPL.

The Company will also continue to maintain a solid financial structure, optimised by returning cash to shareholders (including through buy-back operations), based on the available liquidity.

8. Proposal to approve the Financial Statements of DeA Capital S.p.A. for the Year Ending 31 December 2016 and the partial distribution of the share premium reserve

Dear Shareholders,

In submitting the Financial Statements for the Year Ending 31 December 2016 for your approval, the Board of Directors proposes that you pass the following resolutions:

"The DeA Capital S.p.A. ordinary shareholders' meeting,

- after reviewing the draft Financial Statements for the Year Ending 31 December 2016, which show a loss of EUR 7,573,907 (loss of EUR 18,899,586 in 2015);
- in acknowledgement of the Reports of the Board of Auditors and of the independent auditors, PricewaterhouseCoopers S.p.A.;
- in acknowledgement that the legal reserve is one-fifth of the share capital and that the share premium reserve of DeA Capital S.p.A. at 31 December 2016 was EUR 302,781,857;

resolves

1. to approve the Report of the Board of Directors on the Group's position and on operating performance;
2. to approve the Statement of Financial Position, Income Statement and Notes to the Financial Statements for the Year Ending 31 December 2016 and the related annexes;
3. to carry forward the profit of EUR 7,573,907 reported in the Financial Statements for the Year Ending 31 December 2016, using this to reduce losses brought forward;
4. to make a partial distribution of the share premium reserve in an amount of EUR 0.12 per share;
5. to grant the Chairman of the Board of Directors Lorenzo Pellicioli and the Chief Executive Officer Paolo Ceretti broad powers to execute these resolutions, jointly or severally through their agents and in compliance with the deadlines and procedures established by law".

Milan, 9 March 2017

FOR THE BOARD OF DIRECTORS
The Chairman
Lorenzo Pellicioli



**CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDING
31 DECEMBER 2016**

- **Consolidated Statement of Financial Position**
- **Consolidated Income Statement**
- **Consolidated Statement of Comprehensive Income**
- **Consolidated Cash Flow Statement**
- **Consolidated Statement of Changes in Shareholders' Equity**
- **Notes to the Financial Statements**

Consolidated Statement of Financial Position

(EUR thousand)	Note	December 31, 2016	December 31, 2015
ASSETS			
Non-current assets			
<i>Intangible and tangible assets</i>			
Goodwill	1a	129,399	129,595
Intangible assets	1b	27,184	37,539
Property, plant and equipment	1c	2,145	3,119
<i>Total intangible and tangible assets</i>		158,728	170,253
<i>Investments</i>			
Investments valued at equity	2a	33,449	11,467
Investments held by Funds	2b	84,084	90,675
- available for sale investments		47,845	52,536
- invest. in associates and JV valued at FV through P&L		36,239	38,138
Other available-for-sale companies	2c	67,166	76,464
Available-for-sale funds	2d	182,787	173,730
Other available-for-sale financial assets		22	26
<i>Total Investments</i>		367,508	352,362
<i>Other non-current assets</i>			
Deferred tax assets	3a	1,992	3,676
Loans and receivables	3b	960	0
Tax receivables from Parent companies		0	0
Other non-current assets	3c	30,147	31,795
<i>Total other non-current assets</i>		33,099	35,471
Total non-current assets		559,335	558,086
Current assets			
Trade receivables	4a	11,191	17,818
Available-for-sale financial assets	4b	4,242	7,532
Financial receivables	4c	2,715	3,467
Tax receivables from Parent companies	4d	2,282	2,667
Other tax receivables	4e	9,190	4,567
Other receivables	4f	3,976	2,876
Cash and cash equivalents	4g	96,438	123,468
<i>Total current assets</i>		130,034	162,395
Total current assets		130,034	162,395
Held-for-sale assets	4h	11,487	11,487
TOTAL ASSETS		700,856	731,968
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	5a	261,207	263,923
Share premium reserve	5b	267,640	299,647
Legal reserve	5c	61,322	61,322
Fair value reserve	5d	67,842	62,178
Other reserves	5e	(11,661)	(11,720)
Retained earnings (losses)	5f	(129,574)	(169,434)
Profit/(loss) for the year	5g	12,427	41,072
Net equity Group		529,203	546,988
Minority interests	5h	131,844	138,172
Shareholders' equity		661,047	685,160
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	3a	8,588	10,801
Provisions for employee termination benefits	6a	4,016	4,713
Long term financial loans		19	0
Payables to staff		207	0
<i>Total non-current liabilities</i>		12,830	15,514
Current liabilities			
Trade payables	7a	6,019	15,598
Payables to staff and social security organisations	7b	7,033	7,341
Current tax	7c	2,941	3,384
Other tax payables	7d	1,429	1,571
Other payables	7e	8,335	2,749
Short term financial loans	7f	1,222	651
<i>Total current liabilities</i>		26,979	31,294
Held-for-sale liabilities		0	0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		700,856	731,968

Pursuant to Consob Resolution 15519 of 27 July 2006, the impact of dealings with related parties on the Statement of Financial Position, Income Statement and Cash Flow Statement is explained in the Notes to the Financial Statements.

Consolidated Income Statement

(EUR thousand)	Note	Financial year 2016	Financial year 2015
Alternative Asset Management fees	8	59,114	62,416
Income from equity investments	9	524	(539)
Other investment income/expense	10	12,338	72,464
Income from services	11	8,509	18,496
Other income	12	288	3,204
Personnel costs	13a	(31,003)	(32,519)
Service costs	13b	(19,472)	(22,397)
Depreciation, amortization and impairment	13c	(11,886)	(64,021)
Other expenses	13d	(4,527)	(9,577)
Financial income	14a	888	6,058
Financial expenses	14b	(2,108)	(1,076)
PROFIT/(LOSS) BEFORE TAX		12,665	32,509
Income tax	15	(199)	6,452
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		12,466	38,961
Profit (Loss) from discontinued operations/held-for-sale assets	16	0	286
PROFIT/(LOSS) FOR THE PERIOD		12,466	39,247
- Group share		12,427	41,072
- Non controlling interests		39	(1,825)
Earnings per share, basic (€)	17	0.047	0.154
Earnings per share, diluted (€)	17	0.047	0.154

Pursuant to Consob Resolution 15519 of 27 July 2006, the impact of dealings with related parties on the Statement of Financial Position, Income Statement and Cash Flow Statement is explained in the Notes to the Financial Statements.

Consolidated Statement of Comprehensive Income (Statement of Performance - IAS 1)

Comprehensive Income or the Statement of Performance (IAS 1), in which performance for the period attributable to the Group is reported including results posted directly to shareholders' equity, reflects a net positive balance of approximately EUR +16.7 million compared with a net negative balance of approximately EUR -13.2 million in 2015. This comprised:

- net profit of EUR +12.4 million recorded on the Income Statement;
- profits posted directly to shareholders' equity totalling EUR +4.3 million, due mainly to the increase in the fair value of IDeA I FoF and ICF II, net of the decrease in the value of Migros.

(EUR thousand)	Financial year 2016	Financial year 2015
Profit/(loss) for the period (A)	12,466	39,247
Comprehensive income/expense which might be subsequently reclassified within the profit (loss) for the period	5,660	(60,177)
<i>Gains/(Losses) on fair value of available-for-sale financial assets</i>	5,701	(60,177)
<i>Gains/(Losses) on fair value of available-for-sale financial assets</i>	(41)	0
Comprehensive income/expense which will not be subsequently reclassified within the profit (loss) for the period	27	41
<i>Gains/(losses) on remeasurement of defined benefit plans</i>	27	41
Other comprehensive income, net of tax (B)	5,687	(60,136)
Total comprehensive income for the period (A)+(B)	18,153	(20,889)
Total comprehensive income attributable to:		
- Group Share	16,687	(13,165)
- Non Controlling Interests	1,466	(7,724)

Consolidated Cash Flow Statement - Direct Method

(EUR thousand)	Financial year 2016	Financial year 2015
CASH FLOW from operating activities		
Investments in funds and shareholdings	(34,752)	(27,761)
Capital reimbursements from funds	25,617	42,099
Proceeds from the sale of investments	18,065	152,679
Interest received	299	317
Interest paid	(85)	(698)
Cash distribution from investments	49	5,069
Realized gains (losses) on exchange rate derivatives	1	16
Taxes paid	(3,141)	(4,610)
Dividends received	3,500	0
<i>Management and performance fees received</i>	55,468	66,787
Revenues for services	11,498	24,118
Operating expenses	(57,371)	(69,524)
Net cash flow from operating activities	19,148	188,492
CASH FLOW from investment activities		
Acquisition of property, plant and equipment	(54)	(143)
Sale of property, plant and equipment	14	337
Purchase of licenses	(250)	(124)
Net cash flow from investing activities	(290)	70
CASH FLOW from investing activities		
Acquisition of financial assets	(1,977)	(4,862)
Sale of financial assets	5,254	2,566
Share capital issued	4,529	2,090
Own shares acquired	(3,776)	(13,030)
Share capital issued for Stock Option Plan	352	0
Dividends paid	(43,537)	(101,603)
<i>Loan</i>	(382)	(1,741)
Financial receivavbles/payables	1,336	0
Bank loan paid back	345	(4,000)
Net cash flow from financing activities	(37,856)	(120,580)
CHANGE IN CASH AND CASH EQUIVALENTS	(18,998)	67,982
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	123,468	55,583
Cash and cash equivalents relating to held-for-sale assets	0	0
Cash and cash equivalents at beginning of period	123,468	55,583
Effect of change in basis of consolidation: cash and cash equivalents	(8,032)	(97)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	96,438	123,468
Held-for-sale assets and minority interests	0	0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	96,438	123,468

Pursuant to Consob Resolution 15519 of 27 July 2006, the impact of dealings with related parties on the Statement of Financial Position, Income Statement and Cash Flow Statement is explained in the Notes to the Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity

(EUR thousand)	Share capital	Share premium reserve	Legal Reserve	Fair value reserve
Total at 31 December 2014	271,626	384,827	61,322	116,415
Allocation of 2014 net profit	0	0	0	0
Cost of stock options	0	0	0	0
Purchase of own shares	(7,703)	(5,326)	0	0
Dividend distribution	0	(79,854)	0	0
Other changes	0	0	0	0
Total comprehensive income	0	0		(54,237)
Total at 31 December 2015	263,923	299,647	61,322	62,178

(EUR thousand)	Share capital	Share premium reserve	Legal Reserve	Fair value reserve
Total at 31 December 2015	263,923	299,647	61,322	62,178
Allocation of 2015 net profit	0	0	0	0
Cost of stock options	0	0	0	0
Reversal of Stock Option Plan 2005	0	0	0	0
Purchase of own shares	(3,179)	(598)	0	0
Exercise of stock option and performance share	463	148	0	0
Dividend distribution	0	(31,557)	0	0
Other changes	0	0	0	1,404
Total comprehensive income	0	0		4,260
Total at 31 December 2016	261,207	267,640	61,322	67,842

Pursuant to Consob Resolution 15519 of 27 July 2006, the impact of dealings with related parties on the Statement of Financial Position, Income Statement and Cash Flow Statement is explained in the Notes to the Financial Statements.

Other Reserves	Profit (loss) carried forward	Profit (loss) for the Group	Group total	Non-controlling interests	Consolidated shareholders' equity
(11,243)	(111,833)	(57,601)	653,513	173,109	826,622
0	(57,601)	57,601	0	0	0
(276)	0	0	(276)	0	(276)
0	0	0	(13,029)	0	(13,029)
0	0	0	(79,854)	(2,583)	(82,437)
(201)	0	0	(201)	(24,630)	(24,831)
0	0	41,072	(13,165)	(7,724)	(20,889)
(11,720)	(169,434)	41,072	546,988	138,172	685,160

Other Reserves	Profit (loss) carried forward	Profit (loss) for the Group	Group total	Non-controlling interests	Consolidated shareholders' equity
(11,720)	(169,434)	41,072	546,988	138,172	685,160
0	41,072	(41,072)	0	0	0
674	0	0	674	0	674
(64)	64	0	0	0	0
0	0	0	(3,777)	0	(3,777)
(387)	128	0	352	0	352
0	0	0	(31,557)	(1,937)	(33,494)
(164)	(1,404)	0	(164)	(5,857)	(6,021)
0	0	12,427	16,687	1,466	18,153
(11,661)	(129,574)	12,427	529,203	131,844	661,047



**NOTES TO THE
FINANCIAL STATEMENTS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING
31 DECEMBER 2016**

Notes to the Consolidated Financial Statements for the Year Ending 31 December 2016

A. Structure and content of the Consolidated Financial Statements

The Consolidated Financial Statements for the Year Ending 31 December 2016 include the Parent Company DeA Capital S.p.A. and all subsidiaries (the Group), and were prepared using the separate financial statements of the companies included in the scope of consolidation corresponding to the relevant individual statements, restated as necessary, to adapt them to the accounting standards listed below as dictated by Italian law.

The Consolidated Financial Statements were prepared in accordance with the general principles of IAS 1, and specifically:

- the matching principle: the effect of events and transactions is recorded when they occur, and not when payment is made or received;
- the going concern principle: the financial statements are prepared under the assumption that business operations will continue for the foreseeable future. In this regard, the directors have evaluated this assumption with particular scrutiny in light of the current economic and financial crisis. As indicated in the section "Main risks and uncertainties" in the Report on Operations, the directors believe that the risks and uncertainties described therein are not critical in nature, confirming the financial solidity of the DeA Capital S.p.A. Group;
- the materiality principle: when reporting operating events in accounting entries, preference is given to the principle of economic substance over form;
- the accounting comparability principle: consolidated financial statements must show comparative information for the previous period.

The Consolidated Financial Statements consist of the Statement of Financial Position, the Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, the Statement of Comprehensive Income (Statement of Performance – IAS 1) and the Notes to the Consolidated Financial Statements. The Consolidated Financial Statements are also accompanied by the Report on Operations and a Statement of Responsibilities for the Accounts pursuant to art. 154-bis of Legislative Decree 58/98.

The Statement of Financial Position provides a breakdown of current and non-current assets and liabilities with separate reporting for those resulting from discontinued or held-for-sale operations. In the Income Statement, the Group has adopted the "nature of expense" method, whereby costs and revenues are classified according to type. The Cash Flow Statement is prepared using the "direct method".

Unless otherwise indicated, all tables and figures included in these notes to the Financial Statements are reported in EUR thousand.

The publication of the Consolidated Financial Statements for the Year Ending 31 December 2016 was authorised by a resolution of the Board of Directors dated 9 March 2017.

Statement of compliance with accounting standards

The Consolidated Financial Statements for the Year Ending 31 December 2016 (2016 Consolidated Financial Statements) have been prepared in accordance with the International Accounting Standards adopted by the European Union and approved by the date the Financial Statements were prepared (International Accounting Standards, or individually IAS/IFRS, or collectively IFRS (International Financial Reporting Standards)). IFRS also include all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC), and approved by the European Union.

The Consolidated Financial Statements were prepared with a focus on clarity, and provide a true and fair view of the assets, financial situation, operating result and cash flows for the period.

Accounting standards, amendments and interpretations applied as of 1 January 2016

The IASB-approved international accounting standards and interpretations authorised for adoption in Europe that were applied for the first time from 1 January 2016 are detailed below.

The Group did not apply any IFRS in advance.

Amendments to IAS 1: Disclosure Initiative

On 18 December 2014, the IASB issued an amendment – "Disclosure Initiative" – to IAS 1. The most important issues dealt with in these amendments were:

- clarification that the items on the Statement of Financial Position, the Income Statement and the Statement of Comprehensive Income can be disaggregated or aggregated depending on their materiality;
- clarification that the share of OCI (Other comprehensive income) of an associate company or joint venture is shown as a single item, regardless of its subsequent recycling in the income statement.

Amendments to IAS 16 (Property, plant and equipment) and to IAS 38 (Intangible assets)

On 12 May 2014, the IASB issued an amendment to IAS 16 (Property, plant and equipment) and to IAS 38 (Intangible assets). The IASB clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally not presumed to be an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

Amendments to IAS 27: (Equity Method in Separate Financial Statements)

On 12 August 2014, the IASB issued an amendment – "Equity Method in Separate Financial Statements" – to IAS 27. The objective of the amendment to IAS 27 is to allow parent companies to use the equity method to account for investments in associates and joint ventures in the Separate Financial Statements.

Amendments to IFRS 11 (Joint arrangements)

On 6 May 2014, the IASB issued some amendments to IFRS 11 (Joint arrangements: accounting for acquisitions of interests in joint operations) to clarify the accounting requirements for acquisitions in joint operations that constitute a business.

Amendments to IFRS 10, IFRS 12 and IAS 28 (Investment entities – applying the consolidation exception)

On 18 December 2014, the IASB issued the amendment – "Investment Entities: Applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)" with the objective of clarifying issues relating to the consolidation of an investment entity. More specifically, the amendment to IFRS 10 specifies that a Parent Company (an intermediate parent, i.e. not an investment entity) controlled, in turn, by an investment entity, is not obliged to prepare consolidated financial statements, even if the investment entity measures subsidiaries at fair value, in accordance with IFRS 10. Prior to this amendment, under IFRS 10, a Parent Company was not required to present consolidated financial statements provided that its Parent Company drafted consolidated financial statements that complied with IFRS. Following this amendment, the exemption from preparing consolidated financial statements has been extended to intermediate parent companies, controlled, in turn, by an investment entity, even if the latter values its subsidiaries at fair value rather than consolidating them.

Improvements to IFRS – 2012-2014 cycle

On 25 September 2014, the IASB issued a set of amendments to IFRS ("Annual Improvements to IFRS – 2012-2014 cycle"). The most important issues dealt with in these amendments were:

- the amendment that introduces some specific guidance to IFRS 5 for cases in which an entity reclassifies an asset from the held-for-sale category to the held-for-distribution category (or vice versa), or when the requirements for classifying an asset as held-for-distribution no longer apply. The amendments specify that these reclassifications should not be considered as a change to a sales plan or to a distribution plan and that the criteria for classification and valuation remain valid;
- as regards IFRS 7, the amendment covers the introduction of further guidance to clarify whether a servicing contract constitutes a continuing involvement in a transferred asset for the purposes of transfer disclosure requirements;
- the amendment introduced in IAS 19 clarifying that the high quality corporate bonds used to determine the discount rate for post-employment benefits should be issued in the same currency in which the benefits are paid;
- the amendments to IAS 34 to clarify the requirements if the requested information is presented in the interim financial report but not in the interim financial statements.

Future accounting standards, amendments and interpretations

*Accounting standards, amendments and interpretations that are not yet applicable and have not been adopted in advance by the Group, but were **already approved** for adoption in the European Union as of 28 February 2017*

The International Accounting Standards, together with the interpretations and changes to existing IASB-approved accounting standards and interpretations that were ratified for adoption in the European Union on 28 February 2017, are as follows:

IFRS 9 (Financial instruments)

On 24 July 2014, the IASB published IFRS 9 (Financial Instruments). The standard, which introduces changes to both the recognition and the measurement of financial assets and liabilities, and hedge accounting, will fully replace IAS 39 (Financial instruments: recognition and measurement). Specifically, the standard contains a model for valuing financial instruments based on three categories: amortised cost, fair value and fair value with changes recognised in the Statement of Comprehensive Income. It also includes a new impairment model that is different from the one stipulated in IAS 39, and is based mainly on the concept of "expected losses".

The standard will come into force from 1 January 2018, but can be applied in advance.

IFRS 15 (Revenue from contracts with customers)

On 28 May 2014, the IASB issued IFRS 15 (Revenue from contracts with customers), subsequently amended on 11 September 2015. The standard replaces IAS 18 (Revenue), IAS 11 (Construction contracts), and the interpretations SIC 31, IFRIC 13 and IFRIC 15. It requires revenue to be recognised to depict the transfer of goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The new model for reporting revenues defines a five-step model for recognising revenues from contracts with customers:

- identifying contracts with the customer;
- identifying performance obligations, i.e. contractual commitments to transfer goods or services to a customer;
- determining the transaction price;
- allocating transaction prices to performance obligations;
- reporting the revenues when the relevant performance obligation has been fulfilled.

The standard is applicable for annual periods starting after 1 January 2018, and must be fully (full retrospective method) or partially (cumulative catch-up method) applied retrospectively.

We do not anticipate that the potential adoption of the standards and interpretations noted above will have a material impact on the valuation of the DeA Capital Group's assets, liabilities, costs and revenues.

*Accounting principles, amendments and interpretations that are not yet applicable, have not been adopted in advance by the Group and are **not yet approved** for adoption in the European Union as of 28 February 2017*

The International Accounting Standards, interpretations and amendments to existing IASB-approved accounting standards and interpretations that had not been ratified for adoption in the European Union as of 28 February 2017 are as follows:

Amendments to IAS 7

On 29 January 2016, the IASB issued some amendments to IAS 7 (Statement of cash flows: Disclosure Initiative). The amendments, which are awaiting ratification by the European Union, will enter into force on 1 January 2017.

Amendments to IAS 12

On 19 January 2016, the IASB issued some amendments to IAS 12 (Income taxes). The document aims to clarify how to account for deferred tax assets relating to debt instruments measured at fair value. The amendments, which are awaiting ratification by the European Union, will enter into force on 1 January 2017.

Amendment to IAS 40

On 8 December 2016, the IASB issued some amendments to IAS 40 (Investment Property: Transfers of Investment Property), clarifying the changes in use that result in an asset that is not an investment property being classified as such and vice versa, specifying that a change in use must have occurred. To decide whether a change of use has occurred, an assessment of whether the investment property satisfies the definition must be made. This change must be supported by evidence, as the IASB has confirmed that a change in intention, in isolation, is not enough to support a transfer. The amendments, which are awaiting ratification by the European Union, will enter into force on 1 January 2018.

IFRIC 22

On 8 December 2016, the IASB published the new IFRIC 22 (Foreign Currency Transactions and Advance Consideration), which was issued to clarify which exchange rate to use in reporting transactions when payment is made or received in advance.

The new interpretation, which is awaiting ratification by the European Commission, will come into force on 1 January 2018.

Amendments to IFRS 2

On 20 June 2016, the IASB published amendments to IFRS 2 (Classification and Measurement of Share-based Payment Transactions) intended to clarify the accounting treatment for some types of share-based payment transactions. The amendments, which are awaiting ratification by the European Commission, will come into force on 1 January 2018, but can be applied in advance.

IFRS 14 (Regulatory deferral accounts)

On 30 January 2014, the IASB published IFRS 14 (Regulatory deferral accounts), which allows only those adopting the IFRS for the first time to continue to report amounts relating to rate regulation according to the previously adopted accounting standards. In order to improve comparability with companies that already apply the IFRS and that do not report these amounts, the standard requires the effect of rate regulation to be shown separately from other items. The standard is awaiting ratification by the European Commission, which has decided not to continue with its endorsement process until the IASB has published the final version of the standard.

Clarifications on IFRS 15 (Revenue from contracts with customers)

On 12 April 2016, the IASB published amendments to IFRS 15 (Revenue from Contracts with Customers, Clarifications to IFRS 15), clarifying some of the provisions and providing further simplifications, in order to reduce the costs and complexity for companies applying the new standard for the first time. The amendments, which are awaiting ratification by the European Union, will enter into force on 1 January 2018.

IFRS 16 – Leases

On 13 January 2016, the IASB issued IFRS 16 (Leases), which replaces the accounting rules contained in IAS 17. Under the new accounting standard, all lease agreements must be shown as assets or liabilities whether they are financial leases or operating leases. The standard, which is awaiting ratification by the European Union, will enter into force on 1 January 2019. Companies adopting IFRS 15 in advance may also apply this standard in advance.

Amendments to IFRIC 10 and IAS 28 (Sale or contribution of assets between an investor and its associate or joint venture)

On 11 September 2014, the IASB published the document "Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)".

The objective of the amendments is to clarify the accounting treatment, both in the event of a parent company losing control of a subsidiary (governed by IFRS 10) and in the case of downstream transactions (governed by IAS 28), according to whether or not the object of the transaction is a business, as defined by IFRS 3. If the subject of the transaction is a business, the profit must be fully recognised in both cases, whereas if the subject of the transaction is not a business, only the profit relating to minority interests must be recognised.

On 10 August 2015, the IASB published the exposure draft, "Effective Date of Amendments to IFRS 10 and IAS 28", in which it proposed to defer the entry into force of the amendments until such time as any changes that might arise from the research project into the equity method had been finalised. Any proposed new date for its entry into force will be the subject of public consultation.

Improvements to IFRS – 2014-2016 cycle

On 8 December 2016, the IASB issued a set of IFRS amendments (Annual Improvements to IFRS – 2014-2016 cycle) which modify three standards: IFRS 1, IFRS 12 and IAS 28. The most important issues dealt with in these amendments were:

- termination of the short-term exemptions for first-time adopters (IFRS 1);
- clarification of the scope of the disclosure specified in IFRS 12 for held-for-sale assets;
- measurement of the investments of an associate or joint venture at fair value (IAS 28).

The Group will adopt these new standards, amendments and interpretations based on the stipulated date of application, and will assess their potential impact when they have been ratified by the European Union. We do not currently anticipate that the potential adoption of the standards and interpretations noted above will have a material impact on the valuation of the DeA Capital Group's assets, liabilities, costs and revenues.

Scope of consolidation

As a result of the events described in the Report on Operations, the scope of consolidation changed compared with 31 December 2015, due to:

- the sale of a 55% stake in Innovation Real Estate;
- the acquisition of a 71.5% stake in SPC;
- the acquisition of a further stake of 15.1% in the IDeA EESS fund, which brought the Group's total investment in the fund to 30.4%.

Therefore, at 31 December 2016, the following companies formed part of the DeA Capital Group's scope of consolidation:

Company	Registered office	Currency	Share capital	% holding	Consolidation method
DeA Capital S.p.A.	Milan, Italy	Euro	306,612,100	Holding	
IDeA Capital Funds SGR S.p.A.	Milan, Italy	Euro	1,200,000	100.00%	Full consolidation
IDeA OF I	Milan, Italy	Euro	-	46.99%	Full consolidation
DeA Capital Real Estate S.p.A.	Milan, Italy	Euro	600,000	100.00%	Full consolidation
IDeA FIMIT SGR S.p.A.	Rome, Italy	Euro	16,757,574	64.30%	Full consolidation
Idea Real Estate S.p.A.	Milan, Italy	Euro	50,000	100.00%	Full consolidation
SPC S.p.A.	Milan, Italy	Euro	100,080	71.48%	Full consolidation
Innovation Real Estate S.p.A.	Milan, Italy	Euro	597,725	45.00%	Equity accounted (Associate)
Innovation Real Estate Advisory S.r.l.	Milan, Italy	Euro	105,000	45.00%	Equity accounted (Associate)
IDeA Efficienza Energetica e Sviluppo Sostenibile	Milan, Italy	Euro	-	30.40%	Equity accounted (Associate)
Atlantic Value Added	Rome, Italy	Euro	-	27.27%	Equity accounted (Associate)

The above list meets the requirements of Consob Resolution 11971 of 14 May 1999 and subsequent amendments (art. 126 of the Regulation).

Consolidation method

Subsidiaries are consolidated on a line-by-line basis from their date of acquisition, i.e. on the date the Group acquires a controlling interest, and they cease to be consolidated on the date control is transferred outside the Group.

IFRS 10 defines the concept of control, based on the simultaneous presence of three key elements:

- the power to decide on the entity's significant activities;
- the exposure or right to variable returns from its involvement with the investee;
- the ability to use that power over the investee to affect the amount of the investor's returns due to the Parent Company (link between power and returns).

The financial statements to be consolidated, which were drawn up on 31 December 2016, were prepared and approved by the Boards of Directors of the individual companies, appropriately adjusted, where necessary, to harmonise them with the Parent Company's accounting standards.

The main criteria adopted to apply this method are indicated below.

1. The financial statements of the Parent Company and subsidiaries are incorporated on a "line-by-line" basis.
2. The carrying value of the investment is offset against the corresponding net equity figure. When a company is included in the scope of consolidation for the first time, the difference between the acquisition cost and the net equity of the investee companies is posted, if the appropriate conditions apply, to the assets or liabilities included in the consolidation, pursuant to the provisions of IFRS 3. Any residual portion is taken to the income statement if negative or, if positive, recorded under assets as "goodwill", which is subject to an annual impairment test. Alternatively, when a company is included in the scope of consolidation for the first time, the full amount may be recorded as goodwill, including the portion relating to minority interests (full goodwill approach).
3. Transactions between consolidated companies are eliminated, as are payables and receivables and unrealised profits resulting from transactions between Group companies net of any tax impact.
4. The portions of shareholders' equity attributable to minority shareholders are reported, along with the respective share of net profit for the period, in appropriate shareholders' equity items.

Investee companies over which the Group exercises considerable influence ("associates"), which are presumed to exist when a stake of between 20% and 50% is held, are generally valued at equity.

B. Measurement criteria adopted

The measurement criteria adopted on the basis of International Accounting Standards and reported below are consistent with the going concern principle and have not changed from those used in the preparation of the Consolidated Financial Statements for the Year Ending 31 December 2015 and the Summary Consolidated Half-year Financial Statements at 30 June 2016 apart from as a result of the application of the new IAS/IFRS accounting standards as described above.

Current and non-current assets and liabilities

An asset is considered current if it meets at least one of the following conditions:

- it is expected to be converted during a company's normal operating cycle. The "company's operating cycle" means the period from the acquisition of an asset to its conversion to cash and cash equivalents. When the company's operating cycle cannot be clearly identified, its duration is assumed to be twelve months;
- it is held mainly for trading purposes;
- its conversion is expected to occur within 12 months of the end of the financial year;
- it consists of cash and cash equivalents which have no restrictions that would limit its use in the 12 months following the end of the financial year.

All other assets are carefully analysed to separate the "current" portion from the "non-current" portion.

Furthermore, deferred tax assets are recorded under non-current components.

A liability is considered current if it meets at least one of the following conditions:

- it is expected to be settled during the company's normal operating cycle;
- it is held mainly for trading purposes;
- its settlement is expected to occur within 12 months of the end of the financial year;
- the company does not have an unconditional right to defer payment of the liability for at least 12 months after the end of the financial year.

All other liabilities are carefully analysed to separate the "current" portion from the "non-current" portion.

Furthermore, deferred tax liabilities are recorded under non-current components.

Goodwill

Goodwill is represented by the excess of the purchase cost incurred on the net fair value of the assets acquired and the liabilities assumed on the date of acquisition. Goodwill is not amortised on a regular basis but is subject to a periodic impairment test to assess whether the carrying value is appropriate. Impairment tests are performed on goodwill at least annually. These tests are performed with reference to the cash generating unit to which goodwill is attributed. Any impairment of the goodwill value is reported if its recoverable value is lower than its carrying value. The recoverable value is the greater of the fair value of the cash generating unit, less selling costs, and its value in use. The goodwill value may not be written back if it has previously been written down due to impairment.

If the write-down arising from the impairment test is higher than the value of goodwill allocated to the cash-generating unit, the excess amount is allocated to the tangible and intangible assets included in the cash generating unit in proportion to their carrying value.

Intangible assets

Intangible assets are those assets with no identifiable physical form that are controlled by the Group and produce future economic benefits. They are recorded under assets when it is likely that their use will generate future economic benefits and when their cost can be reliably determined. The above assets are recorded at purchase cost, or at production cost if they are generated internally.

The purchase cost is represented by the fair value of the price paid to acquire the asset and all other direct costs incurred in preparing the asset for use.

The carrying value of intangible assets is maintained in the Financial Statements to the extent that there is evidence that this value can be recovered through use, or if it is likely that these assets will generate future economic benefits. The useful life of intangible assets is assessed as finite or indefinite.

Intangible assets with an indefinite useful life are tested to check that their value is still appropriate at any time there are indications of possible impairment as required by IAS 36 (Impairment of assets). Intangible assets with an indefinite useful life are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to check that the underlying conditions for the classification continue to apply. For additional details, please see the section "Impairment".

Except for intangible assets connected with final variable commission rights, intangible assets with a finite useful life are amortised on a straight-line basis over their useful life.

The amortisation method used for rights connected with final variable commission reflects changes in future economic benefits associated with the recognition of the related revenues.

The useful life of these intangible assets is tested to check that their value is still appropriate whenever there are indications of possible impairment.

Impairment - IAS 36

Impairment always occurs when the carrying value of an asset is greater than its recoverable value. On each reporting date, a company determines whether there are any indications that an asset may be impaired. If such indications exist, the recoverable value of the asset is estimated (impairment test) and any write-down is recorded. The recoverable value of an asset is the higher of its fair value less selling costs, and its value in use.

IAS 36 provides instructions on determining fair value less the costs of selling an asset, as follows:

- if there is a binding sales agreement, the asset's fair value is the negotiated price;
- if there is no agreement, but the asset is marketed in an active market, the fair value is the current bid price (thus, the exact price on the valuation date and not the average price);
- if no prices can be found in active markets, fair value must be determined based on valuation methods that incorporate the best information available including any recent transactions involving the same asset, after verifying that there were no significant changes in the economic environment between the date of the transactions under consideration and the valuation date.

IAS 36 defines value in use as the present value of future cash flows that an asset is projected to produce. The estimate of the value in use must include the items listed below:

- an estimate of future cash flows that the company expects to derive from the asset;
- expectations of potential changes in value and the timing of such cash flows;
- the time value of money;
- other factors such as the volatility of the asset's value and the absence of a liquid market for it.

For more information on determining value in use, please see Appendix A of IAS 36. However, the main elements for accurately estimating the value in use are: an appropriate calculation of projected cash flows (for which the investee company's business plan is essential) and their timing, as well as the application of the right discount rate that accounts for both the present value of money and the specific risk factors for the asset to be valued.

When calculating the value it is important to:

- base cash flow projections on reasonable and sustainable assumptions that provide the best estimate of the economic conditions that are likely to exist over the remaining useful life of the asset;
- base cash flow projections on the most recent budget/plan approved by the investee company, which, however, must exclude any future inflows or outflows of cash that are expected to come from the future restructuring, improvement or optimisation of operating performance. Projections based on these budgets/plans must cover a maximum period of five years, unless a longer period of time can be justified.
- estimate higher cash flow projections for the period covered by the most recent budgets/plans by extrapolating projections based on the budgets/plans taken into consideration, and using a stable or declining growth rate for subsequent years unless a rising rate can be justified. This growth rate must not exceed the average long-term growth rate for production in the country or countries in which the investee company operates or for markets in which the asset used is placed, unless a higher rate can be justified.

The assumptions used to determine cash flow projections must be reasonable, and based partly on an analysis of the factors that generated differences between projections of past and current cash flows. In addition, the assumptions used to determine current cash flow projections must be checked to ensure that they are consistent with actual past results, unless in the meantime changes have occurred in the investee company's business model or in the economic environment in which it operates that justify changes in respect of the past.

Tangible assets

Tangible assets are acquired at purchase price or production cost adjusted for accumulated depreciation and any impairment.

Their cost includes ancillary costs and direct and indirect costs incurred at the time of purchase necessary to make the asset usable. The purchase cost is represented by the fair value of the price paid to acquire the asset and all other direct costs incurred in preparing the asset for use. Tangible assets are depreciated on a straight-line basis over their remaining useful life, using the depreciation rates indicated in the notes on the item relating to similar groups of assets. If factors come to light that lead the company to believe that it may be difficult to recover the net carrying value, an impairment test is performed. If the reasons for the impairment cease to exist, the carrying value of the asset is increased to its recoverable amount.

Associates

These are companies in which the Group holds at least 20% of the voting rights or exercises significant influence, but not full or joint control, over their financial and operating policies. The Consolidated Financial Statements include the Group's share of its associates' results, which are reported using the equity method, starting on the date on which significant influence began until the significant influence ceases to exist.

If the Group's share of an associate's losses exceeds the carrying value of the equity investment reported in the financial statements, the carrying value of the equity investment is eliminated, and the share in further losses is not reported unless, and to the extent that, the Group is legally liable for such losses.

When the equity investment is acquired, any difference between its cost and the Parent Company's stake in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as required by IFRS 3, i.e. any goodwill is included in the carrying value of the equity investment.

As stipulated by IAS 28.33, since the goodwill included in the carrying value of an equity investment in an associate is not recorded separately, it is not subject to a separate impairment test pursuant to IAS 36 (Impairment of assets). Instead, the full carrying value of the equity investment is subject to an impairment test pursuant to IAS 36 by comparing its recoverable value (the greater of its value in use and the fair value adjusted for sales costs) and its carrying value whenever there is evidence indicating the possible impairment of the equity investment as set out in IAS 28.

Financial assets

Based on the classification of financial assets required by IAS 39, the Group classified its financial assets at the time of the transition to International Accounting Standards, and subsequently when individual financial assets were acquired.

The loans and receivables category includes non-derivative financial instruments that are not listed on an active market, mainly relating to customer receivables, which have fixed or determinable expected payments. These are included in the current portion except for those due after one year from the balance sheet date, which are classified under the non-current portion. These assets are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment, the asset concerned is written down to a carrying value equal to the discounted value of its future cash flows.

Impairment losses are recorded in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

Minority interests and investments in funds, which constitute the main, predominant area of the Group's operations, are classified under available-for-sale assets, and are recorded at fair value with a balancing item in shareholders' equity. IFRS 13.9 provides a "new" definition of fair value. It represents "the price that should be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

The concept of fair value is characterised by the following features:

1. it is fundamentally related to the free market and the values reflected therein;
2. it is calculated using the exit price as the relevant price;
3. it relates to the date on which the measurement is made;
4. it relates to an "orderly" transaction, i.e. it is not a forced transaction, such as a compulsory administrative liquidation or a sale at below cost.

Assets and liabilities measured at fair value may be:

- stand-alone assets or liabilities (financial or non-financial instruments);
- a group of assets, a group of liabilities or a group of assets and liabilities.

In the case of assets not listed in active markets, such as the group's direct investments in companies, investments in venture capital funds and funds of funds, the fair value reported in financial statements is determined by the directors based on their best judgement and estimation, using the knowledge and evidence available when the financial statements are prepared.

In these cases, it is provided that:

- if there are recent transactions related to the same financial instrument, these may be used to determine fair value after verifying that there have been no significant changes in the economic environment between the date of the transactions being considered and the valuation date;
- if there are transactions involving similar financial instruments, these may be used to determine fair value after verifying the similarity (as a function of the type of business, size, geographical market, etc.) between the instrument for which transactions have been found and the instrument to be valued;
- if no prices can be found in active markets, fair value must be determined using valuation models that account for all factors that market participants would consider in setting a price.

However, due to objective difficulties in making assessments and the absence of a liquid market, the values assigned to such assets could differ, and in some cases significantly, from those that could be obtained when the assets are sold.

Direct investments in companies that are not subsidiaries or associates and in funds are classified as available-for-sale financial assets, which are initially reported at fair value on the date of the original posting. These assets are measured at fair value when all interim and full-year financial statements are prepared.

Gains and losses from fair value measurement are posted to a special shareholders' equity reserve called the "fair value reserve" until the investment is sold or otherwise disposed of, or until impairment occurs, in which cases the gain or loss previously recorded in the fair value reserve is posted to the income statement for the period.

On the date of the annual or interim financial statements (IAS 34), a test is performed as to the existence of objective evidence of impairment following one or more events that have occurred after the initial recording of the asset, and this event (or events) has an impact on the estimated cash flow from the financial asset.

For equity instruments, a significant or prolonged reduction in fair value below their cost is considered to be objective evidence of impairment.

Although International Accounting Standards introduced an important reference to quantitative parameters that must be adhered to, they do not govern quantitative limits to determine when a loss is significant or prolonged.

The DeA Capital Group therefore has an accounting policy that defines these parameters. In particular, "significant" means there has been an objective reduction in value when fair value is more than 35% below its historical cost. In this case, impairment is recorded in the income statement without further analysis.

The duration of the reduction in value is deemed to be prolonged when the reduction of fair value below historical cost continues for a period of over 24 months. After exceeding 24 months, impairment is recorded in the income statement without further analysis.

Derivatives

Derivatives are recorded in the Statement of Financial Position at fair value calculated in accordance with the criteria already stated in the "Financial assets" section.

Fair value changes are reported differently depending on their designation (hedging or speculative) and the nature of the risk hedged (fair value hedge or cash flow hedge).

For contracts designated for hedging purposes, the Group documents this relationship when the hedge is established. The documentation incorporates the identification of the hedging instrument, the item or transaction hedged, the nature of the risk hedged, the criteria used to ascertain the effectiveness of the hedging instrument as well as the risk. The hedge is considered effective when the projected change in fair value or in the cash flows of the hedged instrument is offset by the change in fair value or in the cash flows of the hedging instrument, and the net results fall within the range of 80% to 125%.

If the instruments are not, or cannot be, designated as hedging instruments, they must be considered "speculative"; in this case, fair value changes are posted directly to the income statement.

In the case of fair value hedges, changes in the fair value of the hedging instrument and the hedged instrument are posted to the income statement regardless of the valuation criterion used for the hedged instrument. In the case of cash flow hedges, the portion of the fair value change in the hedging instrument that is recognised as an effective hedge is posted to shareholders' equity, while the portion that is not effective is posted to the income statement.

Trade receivables

If there is objective evidence that a trade receivable has suffered impairment, it must be adjusted down and the loss posted to the income statement; the write-down is allocated to the item "impairment provisions" as a direct contra item to the asset item.

The amount of the write-down must take into account recoverable cash flows, the related collection dates, future recovery charges and expenses, and the discount rate to be applied.

Cash and cash equivalents

Cash and cash equivalents include cash at hand, sight deposits and short-term, highly liquid financial investments that are readily convertible into cash within 90 days and are subject to a negligible risk of price variation. They are reported at fair value.

Held-for-sale assets

A non-current asset or disposal group is classified as held for sale if its carrying value will mainly be recovered from its sale or disposal instead of its ongoing use. In order for this to occur, the asset or disposal group must be available for immediate sale in its current condition, and the sale must be highly likely. Assets meeting the criteria to be classified as held-for-sale assets are valued at the lower of carrying value and sales value adjusted for any related costs.

Treasury shares

Treasury shares are not considered financial assets of the company that issued the shares. The purchase and sales value of treasury shares is recorded as a change to shareholders' equity. No gain or loss is reported in the income statement for the sale, purchase, issue or cancellation of treasury shares.

Fair value reserve

The fair value reserve incorporates fair value changes to entries measured at fair value with a balancing entry in shareholders' equity.

Financial liabilities

Financial liabilities comprise loans, trade payables and other payment obligations. These are valued at fair value on initial recognition and subsequently at amortised cost, applying the effective interest rate method. Where there is a change in the expected future cash flows and these can be reliably estimated, the value of the payables is recalculated to reflect this change on the basis of the present value of the new expected future cash flows and the internal rate of return originally determined.

Provisions for risks and future liabilities

As necessary, the Group records provisions for risks and future liabilities when:

- it has a legal or implicit obligation to third parties resulting from a past event;
- it is likely that Group resources will be used to meet the obligation;
- a reliable estimate can be made of the amount of the obligation.

Provisions are recorded based on the projected value and discounted as necessary to present value if the time value is considerable. Changes in estimates are recognised in the income statement of the period in which the change occurs.

Revenues and income

Service revenues are recognised at the time the services are rendered based on the progress of the activity on the reporting date. Revenues are recorded net of returns, discounts, allowances and premiums, and of directly related taxes.

Income from equity investments from dividends or from their full or partial sale is reported when the right to receive payment is determined, with a balancing item (receivable) at the time of the sale or decision to distribute dividends by the entity or appropriate body.

Interest is reported using the effective interest rate method.

Employee benefits

Short-term employee benefits, whether in cash or in kind (meal vouchers) are reported in the income statement in the period when work is performed.

Employee benefits related to participation in a defined benefit plan are determined by an independent actuary using the projected unit credit method.

On 16 June 2011, the IASB published a revised version of IAS 19 (Employee Benefits). Among other things, this document modified the accounting rules of defined benefit plans ("Post-employment benefits: defined benefit plans") and termination benefits.

Specifically:

- For "Post-employment benefits: defined benefit plans", the option to use the "corridor approach" to account for actuarial gains and losses was eliminated. These must now be recognised in the statement of performance. The resulting remeasurement effect cannot be recycled through P&L but should be posted to a specific shareholders' equity reserve. No other option is available. Actuarial gains and losses include profits and losses of a technical nature due to changes in the actuarial assumptions adopted and/or the fact that experience may differ from the actuarial assumptions adopted (e.g. staff turnover, early retirement, mortality, change in the discount rate).
- Past service costs and the effects generated by curtailments and/or plan settlement (caused, for example, by a significant reduction in the number of employees covered by the plan, or changes to the plan's terms and conditions) are recorded immediately in the income statement under personnel costs.
- The interest cost (resulting from the discounting to present value process) and the expected returns on assets servicing the plan are replaced by a net interest figure reported in the income statement under financial charges and calculated by applying a discount rate (based on the high-quality corporate bonds rate at the end of the year) to the balance of the existing plan at the beginning of the year.

Employee benefits in respect of participation in a defined contribution plan only relate to those plans under mandatory government administration. The payment of contributions fulfils the Group's obligation to its employees. Thus, contributions are costs in the period in which they are payable.

Share-based payments

In the Group, benefits are provided in the form of stock options or share-based payments. This applies to all employees eligible for stock option plans and performance shares.

The cost of these transactions is determined with reference to the fair value of the options on the allocation date and is reported over the period from that date until the expiry date with a balancing entry in shareholders' equity.

Estimating fair value requires determining the most appropriate valuation model for granting equity instruments, which therefore depends on the terms and conditions under which these instruments are granted. This also requires the identification of data to input into the valuation model including assumptions on the expected life of the options, volatility and the share return.

The cost of stock options and performance shares for the Group's directors and employees is determined in the same way.

Income tax

Current income taxes are determined and reported on the basis of a reasonable forecast of the tax liability, as derived by applying the tax rates in effect in the various countries where Group companies operate to taxable income, and taking into account any exemptions and tax credits to which such companies are entitled.

Deferred tax liabilities are allocated for all temporary differences between the carrying value of the assets and liabilities and the corresponding amount for tax purposes.

Deferred tax assets are recorded for all deductible temporary differences and for tax assets and liabilities carried forward to the extent that it is likely there will be sufficient future taxable profit against which the deductible temporary differences and the tax assets and liabilities carried forward can be used.

Deferred taxes are classified under non-current assets and liabilities and are determined using tax rates expected to be applicable under the laws in the countries where the Group operates in the years when the temporary differences will be realised or will expire.

The carrying values of deferred tax assets are analysed periodically and reduced to the extent that sufficient taxable income will not be generated against which the benefits resulting from such deferred assets can be used.

Earnings per share

In accordance with IAS 33, basic earnings per share is determined as the ratio of net profit for the period attributable to shareholders owning Parent Company shares to the weighted average number of shares outstanding during the period. Treasury shares in the portfolio are, of course, not included in this calculation.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding for all potential ordinary shares resulting from the potential exercise of allocated stock options, which may therefore result in a diluting effect.

C. Changes in accounting principles and the treatment of errors

Accounting principles are changed from one year to another only if the change is dictated by an accounting standard or if it helps provide more reliable information or more complete reporting of the impact of transactions on the Group's assets, operating result and cash flows.

Changes in accounting standards are applied retrospectively with the impact reflected in shareholders' equity in the first of the periods shown. Comparative reporting is adapted accordingly. The prospective approach is used only when it is not practical to restate the comparative information. The application of a new or amended accounting standard is recorded as required by the standard itself. If the standard does not specify transition methods, the change is reflected retrospectively, or if that is not possible, prospectively.

If there are significant errors, the same treatment dictated for changes in accounting principles is used. If there are minor errors, corrections are posted to the income statement in the period in which the error is discovered.

The application of new standards and amendments, pursuant to existing legislative provisions, did not have any specific and/or cumulative effects either on the calculation of shareholders' equity and the net result, or on earnings per share.

D. Use of estimates and assumptions in preparing the financial statements

The Company's management must make assessments, estimates and assumptions that affect the application of accounting standards and the amounts of assets, liabilities, costs and revenues recorded in the financial statements.

These estimates and assumptions are reviewed regularly. Any changes resulting from revisions to accounting estimates are recorded in the period when the revision is made if such a revision only affects that period. If the revision affects current and future periods, the change is recorded in the period in which the revision is made and in related future periods.

Financial statement balances are reported and valued using the valuation criteria described above. At times, the application of these criteria involves the use of estimates that may have a significant impact on amounts reported in the financial statements. Estimates and related assumptions are based on past experience and factors deemed reasonable in the case concerned; these are used to estimate the carrying value of assets and liabilities that cannot be easily obtained from other sources. However, since these are estimates, the results obtained should not necessarily be considered definitive.

On the understanding that the use of reasonable estimates is an essential part of preparing financial statements, the items where the use of estimates is most prevalent are stated below:

- valuation of financial assets not listed in active markets;
- valuation of financial assets listed in active markets but considered illiquid on the reference market;
- valuation of investments, goodwill and intangible assets.

The process described above is made particularly complicated by the unusual levels of volatility in the current macroeconomic and market environment, which affect financial indicators that have a bearing on the above valuations.

An estimate may be adjusted as a result of changes in the circumstances on which it was based, or as a result of new information. Any change in the estimate is applied prospectively and has an impact on the income statement in the period in which the change occurred and potentially on income statements in future periods.

As allowed by IAS/IFRS, the preparation of the Consolidated Financial Statements of the DeA Capital Group required the use of significant estimates by the Company's management, especially with regard to the valuations of the investment portfolio (equity investments and funds).

These valuations are calculated by directors based on their best judgement and estimation using the knowledge and evidence available at the time the consolidated financial statements are prepared. However, due to objective difficulties in making assessments and the lack of a liquid market, the values assigned to such assets could differ, perhaps in some cases significantly, from those that could be obtained when the assets are sold.

Information on the fair value hierarchy

IFRS 13 stipulates that financial instruments reported at fair value should be classified based on a hierarchy that reflects the importance and quality of the inputs used in calculating fair value. Three levels have been determined:

- **Level 1:** includes prices quoted on active markets for assets or liabilities identical to those being valued;
- **Level 2:** includes values derived from observable inputs other than those included in level 1, for example:
 - prices quoted on active markets for similar assets and liabilities;
 - prices quoted on inactive markets for identical assets and liabilities;
 - interest rate curves, implicit volatility, credit spreads;
- **Level 3:** values determined based on unobservable data. These input data may be used if no observable input data are available. IFRS 13 specifies that unobservable input data used to measure fair value must reflect the assumptions used by market participants when fixing the price for the assets or liabilities being valued.

The table below shows assets valued at fair value by hierarchical level at 31 December 2016:

(EUR million)	Note	Level 1	Level 2	Level 3	Total
Available-for-sale equity investments held by funds	2b	0.0	0.0	47.9	47.9
Investments in associates and JVs held by Funds (recognised on income statement)	2b	0.0	14.9	21.3	36.2
Available-for-sale investments in other companies	2c	0.0	66.9	0.3	67.2
Available-for-sale funds	2d	7.8	175.0	0.0	182.8
Other available-for-sale financial assets – non-current portion	-	0.0	0.0	0.0	0.0
Available-for-sale financial assets – current portion	4b	4.2	0.0	0.0	4.2
Total assets		12.0	256.8	69.5	338.3

For level 3, a reconciliation of the opening and closing balances is shown in the table below. Income and expenses posted to the Income Statement or shareholders' equity, and purchases and sales made during 2016, are identified separately:

(EUR thousand)	Balance at 1.1.2016	Increases	Decreases	Impairment and related exchange effect	Fair value adjustment	Fair value on income statement	Translation effect	Balance at 31.12.2016
Available-for-sale equity investments held by funds	49.0	0.0	(3.4)	0.0	2.3	0.0	0.0	47.9
Investments in associates and JVs held by Funds (recognised on income statement)	19.6	3.5	0.0	0.0	(1.8)	0.0	0.0	21.3
Other entities	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.3
Available-for-sale investments	68.8	3.6	(3.4)	0.0	0.5	0.0	0.0	69.5

Valuation techniques and main unobservable input data

Available-for-sale equity investments held by funds

At 31 December 2016, the DeA Capital Group was a minority shareholder, through the IDeA OF I fund, in Giochi Preziosi, Manutencoop, Euticals and Elemaster.

Measurement of these investments at fair value is based on valuation techniques that do not use observable market parameters (mainly transaction multiples of comparable companies and discounted cash flow). The precise value of the investment is determined within the valuation intervals identified by the various methodologies, also taking account of

the values stated in the fund management report, that are the basis on which the NAV of the funds is determined, i.e. the reference for the valuation of the fund units held by the DeA Capital Group.

Investments in associates and joint ventures held by funds

At 31 December 2016, the DeA Capital Group was a minority shareholder, through the IDeA OF I fund, in Talgo, Corin and Iacobucci. The companies were measured at fair value with changes recognised in the Income Statement pursuant to IAS 28.18.

With regard to the investment in Talgo, the fair value of the vehicle through which the investment is held by OF I is determined based on the valuation of the Talgo share, as recorded on the Madrid Stock Exchange at end-2015.

Measurement of the other investments at fair value is based on valuation techniques that do not use observable market parameters (mainly transaction multiples of comparable companies and discounted cash flow). The precise value of the investment is determined within the valuation intervals identified by the various methodologies, also taking account of the values stated in the fund management report, that are the basis on which the NAV of the funds is determined, i.e. the reference for the valuation of the fund units held by the DeA Capital Group.

Available-for-sale investments in other companies

This item consists almost entirely of the shareholding in Kenan Investments (the indirect Parent Company of Migros), which is recorded in the Consolidated Financial Statements for the Year Ending 31 December 2016 in the amount of EUR 66.9 million.

The accelerated book building operation, completed on 8 April 2011, brought the company's total free float to 20.5%. This increased the significance of stock market prices for the purposes of identifying the fair value of the company.

The valuation of the equity investment in Kenan Investments at 31 December 2016 is based on (i) the equity value of Migros, (ii) an updated view of net debt at the various levels of the Company's control structure (Kenan Investments, Moonlight Capital, MH) and (iii) the TRY/EUR exchange rate (3.72 at 31 December 2016).

Available-for-sale funds (venture capital funds, funds of funds, co-investment funds, theme funds and property funds)

Valuations of shareholdings and funds in the portfolio reflect estimates made using the information available on the date this document was prepared.

With regard to funds, at 31 December 2016, the DeA Capital Group held units in:

- IDeA I FoF (valued at EUR 69.0 million)
- ICF II (valued at EUR 47.0 million)
- ICF III (valued at EUR 6.9 million)
- IDeA ToI (valued at EUR 5.2 million)
- IDeA CCR I (valued at EUR 0.1 million)
- AVA (valued at EUR 3.7 million)
- Santa Palomba (valued at EUR 0.4 million)
- six venture capital funds (with a total value of approximately EUR 9.5 million)
- twelve real estate funds held through IdeA FIMIT SGR (with a value of approximately EUR 44.7 million)

For venture capital funds, the fair value of each fund is based on the fund's stated NAV, calculated according to international valuation standards.

For the other funds, the fair value of each fund is represented by the NAV advised by the management company in the fund management report for the year ending 31 December 2016, drafted in accordance with the Bank of Italy's regulation of 19 January 2015 on collective asset management.

Statement of Financial Position

Non-current assets

1 – Intangible and tangible assets

1a – Goodwill

Changes in goodwill are shown in the table below:

(EUR thousand)	Balance at 1.1.2016	Acquisitions	Disposals	Balance at 31.12.2016
Goodwill	129,595	1,476	(1,672)	129,399

The item, which totalled EUR 129,399 thousand at 31 December 2016 (EUR 129,595 thousand at 31 December 2015), mainly relates to the acquisition of IDeA Capital Funds SGR for EUR 31,324 thousand and the acquisition of IFIM/FIMIT SGR (now IDeA FIMIT SGR) for EUR 96,599 thousand.

Change in the scope of consolidation/acquisitions

In July 2016, the DeA Capital Group acquired, via its subsidiary DeA Capital Real Estate, a stake of 66.3% in SPC, a company that specialises in secured and unsecured debt recovery, with a focus on the leasing, banking, consumer and commercial sectors in Italy. The transaction was carried out through the acquisition of the vehicle Mato, holder of a majority stake in SPC, and subsequently merged into DeA Capital Real Estate (on 19 December 2016).

On 22 December 2016, a capital increase was carried out for the DeA Capital stake, totalling EUR 626 thousand, which brought the stake held in the company to 71.48%.

The overall cost of the acquisition was EUR 1,632 thousand with goodwill of EUR 1,476 thousand.

Given the complex issues relating to the initial accounting of SGR, the business combination was recorded on a provisional basis.

Change in the scope of consolidation/disposals

On 10 June 2016, DeA Capital Real Estate (DeA RE) completed the sale of a 55% stake in Innovation Real Estate (IRE) to a group of institutional investors and entrepreneurs operating in the real estate sector. The associated change relates to the goodwill accounted for by IRE for the acquisition of the business divisions (Ingenium and Colliers) in previous years.

The full goodwill method was used to record the minority interests of the companies acquired during 2011 (FIMIT SGR and IFIM). This requires minority interests to be recorded at fair value.

Impairment tests on goodwill

Pursuant to IAS 36, goodwill is not subject to amortisation, and is tested for impairment at least annually.

In order to carry out impairment testing on the goodwill of its cash generating units (CGUs), the DeA Capital Group allocates the goodwill to the relevant CGUs, identified as IDeA FIMIT SGR (real estate fund management) and IDeA Capital Funds SGR (private equity fund management), which represents the minimum level of monitoring that the DeA Capital Group undertakes for management control purposes consistent with DeA Capital's strategic vision.

The redefinition of the IDeA Alternative Investments CGU following its merger into the Parent Company meant that a new CGU had to be defined, namely IDeA Capital Funds SGR. The previous goodwill of the IDeA Alternative Investments CGU was allocated in its entirety to the new CGU.

Impairment testing consists of comparing the recoverable amount of each CGU with the carrying amount of goodwill and other assets attributed to each CGU.

In the case of CGUs that are not wholly controlled, goodwill is reported on a notional basis. This also includes the portion of goodwill that relates to minority interests, using the grossing up method.

The carrying value of the CGU is calculated using the same criterion as that used to determine the recoverable value of the CGU.

The main assumptions used in the impairment test calculations, together with the results, are set out below.

Impairment testing was carried out on the IDeA Capital Funds SGR CGU, with a carrying amount of EUR 37.7 million, using the sum of the parts model by determining the value in use, calculated as the sum of (i) the present value of dividend flows (DDM, or dividend discount model) expected from IDeA Capital Funds SGR and (ii) the present value of the carried interest flows expected from funds managed by the company (DCF, or discounted cash flow methodology), both for the specific period covered by the forecasts (2017-2021) and for future periods (using a projected terminal value based on normalised cash flows).

A number of assumptions were made in determining these flows, including estimates of future increases in revenues, based on expected trends in managed assets, EBITDA and net income or, in the case of carried interest, on the basis of IRR projections made by the company for the various funds under management.

The valuation was based on a cost of capital of between 10.6% and 12.3%, depending on (i) the period of the flows (2017-2021 or later) and (ii) the nature of these flows (dividends from the asset management company or carried interest from the managed funds), supplemented by a terminal value based on a growth assumption of 1.0%.

With reference to the CGU, the recoverable amount is higher than the carrying amount.

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of IDeA Capital Funds SGR, i.e. the cost of capital and the rate of growth (g) used, leads to a potential change in the company's overall value of EUR -1.9/+2.1 million (for changes of +0.5% and -0.5% in the discount rate) and EUR -1.7/+1.8 million (for changes of -0.5% and +0.5% in the rate of growth (g)).

Similarly, impairment testing was carried out on the IDeA FIMIT SGR CGU, with a carrying amount of EUR 173.9 million, using the sum of the parts model by determining the value in use, calculated as the sum of (i) the present value of dividend flows (DDM methodology) expected from IDeA FIMIT SGR and (ii) the present value of the carried interest flows expected from funds managed by the company (DCF methodology), both for the specific period covered by the forecasts (2017-2021) and for future periods (using a projected terminal value based on normalised cash flows).

A number of assumptions were made in determining these flows, including estimates of future increases in revenues, based on expected trends in managed assets, EBITDA and net income or, in the case of carried interest, on the basis of the company's projections of future returns for the various funds under management.

The valuation was based on a cost of capital of 12.4% plus a terminal value based on growth ("g") assumptions of 1.0%.

With reference to the CGU, the recoverable amount is higher than the carrying amount.

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of IDeA FIMIT SGR, i.e. the cost of capital and the rate of growth (g) used, leads to a potential change in the company's overall value of EUR -4.6/+5.3 million (for changes of +0.5% and -0.5% in the discount rate) and EUR -3.3/+3.7 million (for changes of -0.5% and +0.5% in the rate of growth (g)).

1b – Intangible assets

Changes in intangible assets are shown in the tables below.

(EUR thousand)	Historical cost at 1.1.2016	Cum. amort. & write-downs at 1.1.2016	Net carrying value at 1.1.2016	Historical cost at 31.12.2016	Cum. amort. & write-downs at 31.12.2016	Net carrying value at 31.12.2016
Concessions, licences and trademarks	5,926	(4,789)	1,137	6,559	(5,406)	1,153
Software expenses	402	(218)	184	154	(142)	12
Development expenses	229	(225)	4	229	(226)	3
Other intangible assets	122,850	(86,636)	36,214	123,076	(97,060)	26,016
Total	129,407	(91,868)	37,539	130,018	(102,834)	27,184

(EUR thousand)	Balance at 1.1.2016	Acquisitions	Amort.	Write-downs	Decreases	Changes in consolidation area	Balance at 31.12.2016
Concessions, licences and trademarks	1.137	597	(581)	0	0	0	1.153
Software expenses	184	5	(33)	0	(2)	(142)	12
Development expenses	4	0	(1)	0	0	0	3
Other intangible assets	36.214	200	(5.411)	(5.000)	0	13	26.016
Total	37.539	802	(6.026)	(5.000)	(2)	(129)	27.184

Increases in the items "concessions, licences and trademarks" and "software costs" relate to purchases of software usage licences and the related development costs.

The cost of other intangible assets relates to customer relationships arising from the allocation of the residual value of FIMIT SGR on the date of the (inverse) merger with FARE SGR, with the recognition of intangible assets identified as customer relationships and intangible assets related to variable commission that was valued at EUR 38,573 thousand and EUR 68,688 thousand respectively. This value is based on the discounting of fixed management fees (for customer relationships) and variable fees calculated net of directly applicable costs on the basis of the most recent business plans of the funds under management.

A review of the funds' business plans that comprise intangible assets from final variable commission showed that flows of said commission were lower than previously expected; this meant that an impairment test of the value of the intangible assets had to be carried out.

The impairment test of these intangible assets, which had a carrying amount of EUR 27.9 million (compared with an original value of EUR 68.7 million), was carried out, determining the value in use as the current value of the flows of variable commission expected from the company's managed funds (using DCF, or discounted cash flow methodology) with reference to the period by which they were expected to materialise (2017-2022).

These flows were determined based on a number of assumptions, including the expected return (IRR), prepared by IDeA FIMIT SGR for the managed funds.

The valuation, based on a cost of capital of 10.4%, resulted in a recoverable value of the relevant intangible assets of EUR 22.9 million, making it necessary, therefore, to record an impairment charge of EUR 5,000 thousand (of which EUR 1,758 thousand relates to the Group).

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of the intangible asset item of variable commission relating to IDeA FIMIT SGR, i.e. the cost of capital and the probability weighting that said variable commission will be obtained, leads to a potential change in the carrying value of EUR -0.7/+0.7 million (for changes of

+0.5% and -0.5% in the cost of capital) and EUR -2.8/+2.7 million (for changes of -10% and +10% in the probability that the variable commission will be obtained).

Except for intangible assets involving rights connected with final variable commission, intangible assets with a finite useful life are amortised on a straight-line basis over their useful lives.

The amortisation method used for rights connected with final variable commission reflects changes in future economic benefits associated with the recognition of the related revenues.

1c – Tangible assets

Changes in tangible assets are shown in the tables below:

(EUR thousand)	Historical cost at 1.1.2016	Cum. amort. & write-downs at 1.1.2016	Net carrying value at 1.1.2016	Historical cost at 31.12.2016	Cum. amort. & write-downs at 31.12.2016	Net carrying value at 31.12.2016
Leasehold improvements	3,723	(1,585)	2,138	3,557	(2,051)	1,506
Furniture and fixtures	1,774	(1,050)	724	1,729	(1,248)	481
Computer and office equipment	1,240	(1,039)	201	1,198	(1,051)	147
Company vehicles	413	(382)	31	240	(234)	6
Plant	40	(25)	15	17	(12)	5
Other assets	394	(384)	10	377	(377)	0
Total	7,584	(4,465)	3,119	7,118	(4,973)	2,145

(EUR thousand)	Balance at 1.1.2016	Acquisitions	Depr.	Reclassifications	Decreases	Change in consolidation area	Balance at 31.12.2016
Leasehold improvements	2,138	66	(544)		0	0	(154)
Furniture and fixtures	724	10	(198)		0	0	(55)
Computer and office equipment	201	76	(89)		0	(6)	(35)
Company vehicles	31	0	(24)		0	0	(1)
Plant	15	0	(2)		0	0	(8)
Other assets	10	(1)	(2)		0	0	(7)
Total	3,119	151	(859)		0	(6)	(260)
							2,145

The item "Leasehold improvements", totalling EUR 1,506 thousand, mainly relates to improvements made to the building at Via Brera 21 in Milan, which has been leased to the DeA Capital Group since 2013.

Depreciation of property, plant and equipment is calculated on a straight-line basis, according to the estimated useful life of the asset.

The depreciation rates used in the financial year were 20% for specific plant assets, 12% for furniture and furnishings, 20% for electronic office machines, 20% for company vehicles and 15% for leasehold improvements.

2 – Financial investments

Financial investments in companies and funds constitute the Group's typical activities. These investments rose from EUR 352,362 thousand at 31 December 2015 to EUR 367,508 thousand at end-2016.

2a – Investments in associates

This item, totalling EUR 33,449 thousand at 31 December 2016 (EUR 11,467 thousand at end-2015), relates to the following assets:

1. The units in the AVA fund are valued at around EUR 11,239 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2016 (EUR 11,467 thousand at 31 December 2015).

The decrease compared with 2015 is due to the pro rata share (EUR 228 thousand) of the net loss for the period.

2. The investment in IRE is reported in the Consolidated Financial Statements for the Year Ending 31 December 2016 at approximately EUR 5,312 thousand.

On 10 March 2016, DeA Capital Real Estate (DeA RE) completed the purchase of shares representing 3.0% of the share capital of Innovation Real Estate (IRE) for a price of EUR 0.7 million, bringing its shareholding in the company to 100%. Subsequently, on 10 June 2016, DeA RE completed the sale of a 55% stake in IRE to a group of institutional investors and entrepreneurs operating in the real estate sector.

3. The units in IDeA EESS are valued at around EUR 16,898 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2016.

On 14 October 2016, DeA Capital S.p.A. completed the acquisition from M&C S.p.A. of all the units and associated rights held by the latter in the IDeA Efficienza Energetica e Sviluppo Sostenibile fund (IdEA Energy Efficiency and Sustainable Development fund), managed by IDeA Capital Funds SGR, for a price of EUR 5.35 million. This represents a discount of approximately 20% on the value of the units, as estimated according to the latest management report available on the transaction date (30 September 2016). The units comprising the transaction, equal to 15.1% of the total size of the fund, will be added to the stake already held by DeA Capital S.p.A. in the fund (15.3%), increasing its total stake to 30.4%. In light of the above, the entire investment in the IDeA EESS fund was reclassified from "Available-for-sale funds" to this item.

The table below provides details of the investments held in associates at 31 December 2016 by sector of activity.

(EUR million)	Private Equity Investment	Alternative Asset Management	Total
IDeA EESS fund	16.9	0.0	16.9
AVA fund	3.7	7.5	11.2
IRE group	0.0	5.3	5.3
Total	20.6	12.8	33.4

The table below summarises details of the financial information of Innovation Real Estate and the IDeA EESS fund, based on the reporting package prepared in accordance with the accounting principles used by the DeA Capital Group at 31 December 2016.

(EUR thousand)	Innovation Real Estate Period 10.06.16- 31.12.16	IDeA EESS Period 14.10.16 - 31.12.16
Revenues	8,880	0
Net profit/(loss) for the year	1,533	207
Other profit/(loss), net of tax effect	(45)	(133)
Total comprehensive profit/(loss) for the year	1,488	74
Total comprehensive profit/(loss) for the year attributable to minorities	818	52
Total comprehensive profit/(loss) for the year attributable to Group	670	22
 (EUR thousand)	31.12.2016	31.12.2016
Current assets	27,638	2,830
Non-current assets	1,997	52,977
Current liabilities	(19,549)	(223)
Non-current liabilities	(1,356)	0
Net assets	8,730	55,584
Net assets attributable to minorities	4,802	38,686
Net assets attributable to the Group	3,928	16,898
 (EUR thousand)	31.12.2016	31.12.2016
Net initial assets attributable to the Group	3,258	16,876
Total comprehensive profit/(loss) for the year attributable to Group	670	22
Dividends received in the period	0	0
Net final assets attributable to minorities	3,928	16,898
Goodwill	1,384	0
Book value of associate company	5,312	16,898
Dividends paid to minorities during the year	0	0

2b – Investments held by funds

At 31 December 2016, the DeA Capital Group was a minority shareholder, through the IDeA OF I fund, in Giochi Preziosi, Manutencoop, Euticals, Elemaster, Talgo, Corin and Iacobucci. The latter three companies were measured at fair value with changes recognised in the Income Statement pursuant to IAS 28.18.

This item, which totalled EUR 84,084 thousand at 31 December 2016 (EUR 90,675 thousand at 31 December 2015), relates to the assets below.

(EUR million)	31.12.2016
Investments in Portfolio	
Giochi Preziosi	5.2
Manutencoop Facility Management	18.9
Lauro Cinquantasette (Euticals)	15.3
Elemaster	8.5
Investments available for sale	
Iacobucci HF Electronics	6.0
Pegaso Transportation Investments (Talgo)	14.9
2IL Orthopaedics LTD (Corin)	15.3
Investments in associates and JV valued at FV through P&L	
Total investments in Portfolio	
	84.1

2c – Available-for-sale investments in other companies

At 31 December 2016, the DeA Capital Group was a minority shareholder in Kenan Investments (the indirect parent company of Migros), Stepstone, Harvip Investimenti, two US companies operating in the biotech and printed electronics sectors, TLcom Capital LLP (a management company under UK law) and TLcom II Founder Partner SLP (a limited partnership under UK law).

At 31 December 2016, the item totalled EUR 67,166 thousand compared with EUR 76,464 thousand at 31 December 2015.

The table below provides details of equity investments in other companies at 31 December 2016 by area of activity.

(EUR million)	Private Equity Investment	Alternative Asset Management	Total
Kenan Investments	66.9	0.0	66.9
Minority interests	0.3	0.0	0.3
Total	67.2	0.0	67.2

The stake in Kenan Investments is recorded in the Consolidated Financial Statements for the Year Ending 31 December 2016 at EUR 66.9 million (compared with EUR 76.3 million at 31 December 2015). This amount (indirectly corresponding to approximately 6.9% of Migros' capital, i.e. 40.25% of the latter's capital via the Group's investment in Kenan Investments) reflects a price per share of Migros of:

- TRY 26.00 (plus interest of 7.5% per annum from 30 April 2015) for the stake subject to put/call options agreed with Anadolu on 9.75% of Migros and exercisable from 30 April 2017;
- TRY 17.58, being the market price on 31 December 2016 for the remaining stake (30.5% of Migros' capital).

The decrease in the value of the stake in Kenan Investments at 31 December 2016 compared with 31 December 2015 is attributable to a decrease of EUR 9.4 million in the fair value reserve due to the combined effect of the rise in the share price (TRY 17.58 per share at 31 December 2016 compared with TRY 17.45 per share at 31 December 2015) and the depreciation of the Turkish lira against the euro (3.72 TRY/EUR at 31 December 2016 versus 3.17 TRY/EUR at 31 December 2015).

The value of minor equity investments mainly relates to a minority shareholding in Harvip. The DeA Capital Group is also a shareholder in three companies – Elixir Pharmaceuticals Inc., Kovio Inc. and Stepstone – which are not included in the investment portfolio as they are either dormant or in liquidation, and have zero value.

Company	Registered office	Business sector	% holding
Elixir Pharmaceuticals Inc.	USA	Biotech	1.30
Harpip Investimenti S.p.A.	Italy	Distressed real estate and other investments	19.18
Kovio Inc.	USA	Printed circuitry	0.42
Stepstone Acquisition Sàrl	Luxembourg	Special opportunities	36.72

2d – Available-for-sale funds

This item relates to investments in units of three funds of funds (IDeA I FoF, ICF II and ICF III with three sub-funds), two theme funds (IDeA ToI and IDeA CCR I with two sub-funds), six venture capital funds and 12 real estate funds, totalling approximately EUR 182,787 thousand at end-2016, compared with EUR 173,730 thousand at end-2015.

The table below shows changes to the funds during 2016.

	Balance at 1.1.2016 (EUR thousand)	Increases (Capital call)	Decreases (Capital distribution)	Impairment	Fair value adjustment	Translation effect	Change in consolidation area	Reclass	Balance at 31.12.2016
Venture capital funds	9.673	0	0	(125)	1.027	(1.087)	0	0	9.488
IDeA I FoF	77.217	1.232	(15.615)	0	6.181	0	0	0	69.015
ICF II	41.710	1.444	(3.494)	0	7.340	0	0	0	47.000
ICF III Core	541	80	(119)	0	18	0	0	0	520
ICF III Credit & Distressed	2.525	266	(79)	0	185	0	0	0	2.897
ICF III Emerging Markets	1.751	1.318	(6)	0	426	0	0	0	3.489
IDeA EESS	7.312	236	(3.718)	0	3.271	0	0	(7.101)	0
Taste of Italy	1.074	5.718	(693)	0	(903)	0	0	0	5.196
IDeA CCR I	0	75	0	0	0	0	0	0	75
IDeA CCR I	0	158	0	0	(158)	0	0	0	0
Other funds	0	400	0	0	2	0	0	0	402
IDeA FIMIT SGR Funds	31.927	10.800	(1.893)	(630)	4.501	0	0	0	44.705
Total funds	173.730	21.727	(25.617)	(755)	21.890	(1.087)	0	(7.101)	182.787

- Units in venture capital funds are valued at around EUR 9,488 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2016 (EUR 9,673 thousand at end-2015).

The overall change in the investments is mainly attributable to a decrease in fair value (and related exchange rate effects) of EUR -60 thousand, and the impairment (and related exchange rate effects) of certain funds totalling EUR -125 thousand.

The fair value measurement of investments in venture capital funds at 31 December 2016, carried out based on the information and documents received from the funds, as well as other available information, meant that the amount had to be written down by EUR 125 thousand; the significant reduction to below cost was considered clear evidence of impairment.

- Units in IDeA I FoF are valued at around EUR 69,015 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2016 (EUR 77,217 thousand at end-2015).

- Units in IDeA I FoF are valued at around EUR 69,015 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2016 (EUR 77,217 thousand at end-2015).

The change in the carrying value compared with 31 December 2015 was due to contributions made for capital calls totalling EUR +1,232 thousand, capital reimbursements of EUR -15,615 thousand and a net increase in fair value of around EUR +6,181 thousand.

- Units in ICF II are valued at around EUR 47,000 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2016 (EUR 41,710 thousand at 31 December 2015).

The change in the carrying value compared with 31 December 2015 was due to contributions made for capital calls totalling EUR 1,444 thousand, capital reimbursements of EUR -3,494 thousand and a net increase in fair value of around EUR +7,340 thousand.

- Units in ICF III are valued at around EUR 6,906 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2016 (EUR 4,817 thousand at 31 December 2015).

The change in the carrying value compared with 31 December 2015 was mainly due to contributions made for capital calls totalling EUR 1,664 thousand, capital reimbursements of EUR -204 thousand and a net increase in fair value of around EUR +629 thousand.

- Units in IDeA EESS were valued in the Consolidated Financial Statements at EUR 7,101 thousand (EUR 7,312 thousand at 31 December 2015) when reclassified under "Investments in associates".

The change in the carrying value compared with 31 December 2015 was mainly due to contributions made for capital calls totalling EUR 236 thousand, capital reimbursements of EUR -3,718 thousand and a net increase in fair value of around EUR +3,271 thousand.

- Units in IDeA Taste of Italy are valued at approximately EUR 5,196 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2016, as a result of contributions made in the form of capital calls of EUR 5,718 thousand, capital reimbursements of EUR -693 thousand and a decrease in fair value of approximately EUR -903 thousand.
- On 23 June 2016, IDeA Capital Funds SGR completed the first closing of the IDeA Corporate Credit Recovery I fund (IDeA CCR I), launching the fund with total assets of EUR 262.8 million, of which EUR 177.6 million related to the loans segment (*comparto crediti*, or CC) and EUR 85.2 million to the new finance segment (*comparto nuova finanza*, or CNF). As Italy's leading debtor-in-possession financing fund, IDeA CCR I aims to help relaunch medium-sized Italian companies that are facing financial difficulties but have solid business fundamentals. Seven banks contributed to the loans segment by selling to the fund loans they had made to eight previously identified companies, in exchange for units in the fund. The new finance segment has obtained a commitment from both Italian and international investors for the financial resources to support the plans to relaunch the companies. This includes a partnership with American group H.I.G. Capital which, via its affiliated company Bayside Capital, is providing a contribution of 50% of the CNF. DeA Capital has subscribed total commitments of EUR 15.15 million (including units conferring rights to 30% of the carried interest). Units in IDeA CCR I are valued at approximately EUR 75 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2016, as a result of contributions made in the form of capital calls of EUR 233 thousand and a net decrease in fair value of approximately EUR -158 thousand.
- On 11 November 2016, DeA Capital paid EUR 400 thousand in the first closing of the Santa Palomba fund of a total commitment of EUR 1.0 million. The fund, which is managed by the subsidiary IDeA FIMIT SGR, builds social housing in the Rome area. Units in Santa Palomba are valued at approximately EUR 402 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2016, as a result of an increase in fair value of approximately EUR +2 thousand.

The financial assets relating to units of funds managed by IDeA FIMIT SGR are considered long-term investments. This item includes:

- mandatory investments (as stipulated by the Bank of Italy Regulation of 19 January 2015) in managed funds that are not reserved for qualified investors. The latter are to be held in the portfolio until the funds' maturity date. However, they were not classified as "held-to-maturity assets" since they are variable-rate financial instruments. It was therefore decided to record them in this "residual" category in accordance with IAS 39, which specifies that they should be measured at fair value with a balancing entry in an appropriate restricted reserve pursuant to Legislative Decree 38/2005;
- optional investments in managed funds that may or may not be reserved for qualified investors.

Units in these funds are valued at around EUR 44,705 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2016 (EUR 31,927 thousand at 31 December 2015).

The change in the carrying value versus end-2015 is due to capital reimbursements of EUR -1,893 thousand, impairment of around EUR -630 thousand and a net increase in fair value of approximately EUR +4,501 thousand.

At the same time, during 2016, the company provided a fresh impetus to the development of its managed assets, notably by launching the "Trophy Value Added" fund (with a direct investment in fund units of EUR 10,000 thousand) and in the Roma Santa Palomba fund (with a direct investment in fund units of EUR 800 thousand).

The table below provides a breakdown of the funds in the portfolio at 31 December 2016 by area of activity:

(EUR million)	Private Equity Investment	Alternative Asset Management	Total
Venture capital funds	9.5	0.0	9.5
IDeA I FoF	69.0	0.0	69.0
ICF II	47.0	0.0	47.0
ICF III	6.9	0.0	6.9
IDeA ToI	5.2	0.0	5.2
IDeA CCR I	0.1	0.0	0.1
Santa Palomba	0.4	0.0	0.4
IDeA FIMIT SGR Funds	0.0	44.7	44.7
Total funds	138.1	44.7	182.8

3 – Other non-current assets

3a – Deferred tax assets

The balance on the item "deferred tax assets" totalled EUR 1,992 thousand (EUR 3,676 thousand at 31 December 2015) and comprises the value of deferred tax assets minus deferred tax liabilities, where they may be offset.

Deferred tax assets relating to the Parent Company of EUR 18,668 thousand were fully offset against deferred tax liabilities.

The deferred tax liabilities of IDeA FIMIT SGR mainly comprise the balancing entry for deferred tax assets relating to variable commission recorded under intangible assets, amounting to EUR 6,772 thousand. The balance is lower than at end-2015 due to the release of EUR 2,455 thousand on the income statement, mainly due to the write-down of intangible assets from final variable commission of EUR 5,000 thousand.

As required by IFRS 3 (Business Combinations), the company recorded a deferred tax liability for the assets identified at the date of acquisition.

The changes to deferred tax assets and liabilities during the year, broken down by type, are analysed below.

(EUR thousand)	At 1.1.2016	Recognised in income statement	Recognised in equity	Change in consolidation area	Compensation/ other movements	At 31.12.2016
<i>Deferred tax assets for:</i>						
- personnel costs	1,070	(78)	0	(9)	(18)	965
- other	2,604	(1,318)	(277)	0	18	1,027
Losses carried forward available for offset against future taxable profits	(918)	2,708	0	0	(1,790)	0
Total deferred tax assets	2,756	1,312	(277)	(9)	(1,790)	1,992
<i>Deferred tax liabilities for:</i>						
- available-for-sale financial assets	358	(199)	(3,762)	(3)	1,790	(1,816)
- TFR discounting IAS	1	0	0	(1)	0	0
- intangible assets	(10,240)	3,420	0	48	0	(6,772)
Total deferred tax liabilities	(9,881)	3,221	(3,762)	44	1,790	(8,588)
Total deferred tax assets	3,676					1,992
Total deferred tax liabilities	(10,801)					(8,588)

No further deferred tax assets were allocated against the significant tax losses of DeA Capital S.p.A. of around EUR 108,074 thousand, which are fully usable, and about EUR 879 thousand, which are partially usable; the entire amount cannot be transferred to the tax consolidation scheme. This was because there was insufficient information for the group to believe that taxable income would be generated in future periods against which such tax losses could be recovered.

Deferred taxes were calculated using the liability method based on the temporary differences at the reporting date between the tax amounts used as a reference for the assets and liabilities and the amounts reported in the financial statements.

3b – Loans and receivables

At 31 December 2016 this item totalled EUR 960 thousand and mainly relates to the receivable due from the purchasers of the majority stake in IRE relating to the long-term portion of the deferred purchase price (EUR 578 thousand).

3c – Other non-current assets

This item totalled EUR 30,147 thousand at 31 December 2016, compared with EUR 31,795 thousand at 31 December 2015, and mainly relates to:

- the receivable from Beta Immobiliare fund concerning the final variable commission, in the amount of EUR 20,326 thousand. The calculation was made according to the provisions of the operating regulations of the Beta Immobiliare fund, taking into account the NAV shown in the management report at 31 December 2016. This receivable corresponds to the portion of the overperformance commission accrued since the start of the fund's operations, which the asset management fund will receive when liquidated, but only if certain conditions are met;
- a receivable of EUR 8,122 thousand in favour of the IDeA OF I fund for the sale of 1% of Manutencoop.

4 – Current assets

4a – Trade receivables

Receivables amounted to EUR 11,191 thousand, compared with EUR 17,818 thousand at 31 December 2015, and mainly included receivables from customers (EUR 11,099 thousand). These related mainly to receivables of IDeA FIMIT SGR (EUR 8,798 thousand). The latter amount essentially relates to receivables from managed funds for commission due but not yet received.

The table below shows the maturities of outstanding trade receivables of IDeA FIMIT SGR at 31 December 2016:

(EUR thousand)	expired					Total
	Not expired	less than 90 days	Between 90 days and 180 days	Between 180 days and 360 days	More than 360 days	
Trade receivables	3,706	1,845	1,254	8	1,985	8,798

The item "Transactions with Related Parties" includes EUR 80 thousand from De Agostini S.p.A. for the agreement to sub-let rented premises and the reimbursement of costs associated with said agreement.

4b – Available-for-sale financial assets

At 31 December 2016, this item totalled EUR 4,242 thousand, compared with EUR 7,532 thousand at 31 December 2015, and relates to the portfolio of government securities and corporate bonds held by IDeA Capital Funds SGR.

4c – Financial receivables

At 31 December 2016, this item totalled EUR 2,715 thousand (compared with EUR 3,467 thousand at 31 December 2015) and relates mainly to an agreement for a revolving loan, of up to EUR 5 million, in favour of Sigla S.r.l., a wholly-owned subsidiary of associate company Sigla Luxembourg S.A.

4d – Tax receivables relating to the tax consolidation scheme entered into by the parent companies

This item totalled EUR 2,282 thousand at 31 December 2016 (EUR 2,667 thousand at 31 December 2015) and relates to the receivable from the Parent Company De Agostini S.p.A. for the participation of DeA Capital S.p.A. and DeA Capital Real Estate in the tax consolidation scheme.

DeA Capital S.p.A., IDeA Capital Funds SGR, DeA Capital Real Estate and Idea Real Estate have adopted the national tax consolidation scheme of the De Agostini Group (the Group headed by De Agostini S.p.A., formerly B&D Holding di Marco Drago e C. S.a.p.a.). This option was exercised jointly by each company and De Agostini S.p.A. through the signing of the "Regulation for participation in the national tax consolidation scheme for companies in the De Agostini Group" and notifying the tax authorities of this option pursuant to the procedures and terms and conditions laid down by law. The option is irrevocable unless the requirements for applying the scheme are not met.

The option is irrevocable for DeA Capital S.p.A. for the three-year period 2014-2016, for IDeA Capital Funds SGR for the three-year period 2015-2017 and for DeA Capital Real Estate and Idea Real Estate for the three-year period 2016-2018.

4e – Other tax receivables

At 31 December 2016, this item totalled EUR 9,190 thousand, compared with EUR 4,567 thousand at 31 December 2015. It mainly includes:

- a receivable due to IDeA FIMIT SGR of EUR 2,174 thousand deriving from advance payments of IRES/IRAP during the year, net of provisions for taxes;
- a VAT receivable due to IDeA FIMIT SGR of EUR 4,615 thousand, mainly comprising (EUR 4,534 thousand) the positive balance from the sale of monthly VAT payables and receivables by the managed funds;
- a receivable arising from an application for an IRES refund from the Parent Company due to non-deduction of IRAP relating to personnel costs for 2010/2011 of EUR 115 thousand;
- a receivable of EUR 359 thousand arising from a ruling by the Milan Commissione Tributaria Provinciale (provincial tax commission) on tax inspections for the tax periods 2009/2010 recorded for IDeA Alternative Investments S.p.A. (a company merged by incorporation into DeA Capital S.p.A. with effect from 1 January 2012), against which the Company has filed an appeal;
- a receivable of EUR 547 thousand arising from the settlement of VAT relating to 2016;
- a receivable arising from an application for an IRES refund due to the non-deduction of IRAP relating to personnel costs for 2010-2011, for EUR 94 thousand;
- tax deductions in the form of advance payments incurred by the Parent Company on interest of EUR 40 thousand;
- a receivable arising from an application for refund of the substitute tax relating to long-term funding granted by Mediobanca in the second half of 2010, of EUR 115 thousand;
- the IRAP receivable of IDeA Capital Funds SGR relating to advance payments during the year of about EUR 545 thousand.

4f – Other receivables

This item, which totalled EUR 3,976 thousand at 31 December 2016 (EUR 2,876 thousand at 31 December 2015), mainly includes receivables for guarantee deposits, advances to suppliers and prepaid expenses (EUR 1,925 thousand for IDeA Capital Funds SGR, mainly due to costs incurred and recognised by the company and attributable to the managed funds) and other receivables due from the managed funds of IDeA FIMIT SGR of EUR 241 thousand.

These receivables fall due within the next year.

4g – Cash and cash equivalents

This item comprises bank deposits and cash including interest accrued to 31 December 2016. This item totalled EUR 96,438 thousand at end-2016 compared with EUR 123,468 thousand at end-2015.

Please see the consolidated cash flow statement for further information on changes to this item.

Cash deposited at banks accrues interest at floating rates, based on the prevailing overnight, 1-2-week and 1-3-month interest rates.

4h – Held-for-sale assets

This item consists of the investment in Sigla Luxembourg S.A. of EUR 11,487 thousand. Of those investments held for sale pursuant to IFRS 5, this investment was retained because the sales process launched in the fourth quarter of 2015 is ongoing.

5 – Shareholders' equity

At 31 December 2016, Group shareholders' equity was approximately EUR 529,203 thousand, compared with EUR 546,988 thousand at 31 December 2015.

The decrease of about EUR -17,785 thousand in Group shareholders' equity in 2016 was mainly due to the extraordinary dividend paid (EUR -31,557 thousand) and to the reasons already discussed in the Statement of Performance - IAS 1 (EUR +16,687 thousand) and the impact of the plan to purchase treasury shares (EUR -3,776 thousand).

The main changes in shareholders' equity are described in more detail in the relevant table of changes included in the Consolidated Financial Statements.

5a – Share capital

The share capital (fully subscribed and paid up) totalled EUR 306,612,100, represented by 306,612,100 shares (of which 45,404,954 treasury shares) with a nominal value of EUR 1 each.

Share capital of EUR 261,207,146 was reported in the Financial Statements, after deduction of the nominal value of the above-mentioned treasury shares held at 31 December 2016.

Changes in share capital are shown in the table below.

(EUR thousand)	31.12.2016		31.12.2015	
	No. of shares	amount	No. of shares	amount
Share capital	306,612,100	306,612	306,612,100	306,612
of which: Own shares	(45,404,954)	(45,405)	(42,688,945)	(42,689)
Share capital (excluding own shares)	261,207,146	261,207	263,923,155	263,923

The table below shows a reconciliation of the shares outstanding.

	Shares issued	Own shares in portfolio	Shares in issue
Shares at 31 December 2015	306,612,100	(42,688,945)	263,923,155
<i>Changes in 2016</i>			
Share capital increase	0	0	0
Own shares purchased	0	(3,178,745)	(3,178,745)
Own shares sold	0	0	0
Own shares disposed of	0	0	0
Used for stock options plan	0	462,736	462,736
Shares issued for stock options	0	0	0
Shares at 31 December 2016	306,612,100	(45,404,954)	261,207,146

5b – Share premium reserve

The item in question fell by EUR 32,007 thousand from EUR 299,647 thousand at 31 December 2015 to EUR 267,640 thousand at 31 December 2016, mainly due to the posting to this reserve of the purchase of treasury shares and the distribution of dividends during the year. The table below shows the change during 2016:

(EUR)	Share premium reserve	Own shares in portfolio	Costs relating to share issue	Total
Shares at 31 December 2015	334,338,793	(26,864,102)	(7,828,172)	299,646,519
<i>Changes in 2016</i>				
Share capital increase	0	0	0	0
Distribution of dividends	(31,556,936)	0	0	(31,556,936)
Own shares purchased	0	(597,492)	0	(597,492)
Own shares disposed of	0	0	0	0
Used for stock options plan	0	0	0	0
Shares issued for stock options	0	148,076	0	148,076
Shares at 31 December 2016	302,781,857	(27,313,518)	(7,828,172)	267,640,167

5c – Legal reserve

This reserve, which was unchanged compared with the end of 2015, totalled EUR 61,322 thousand at 31 December 2016.

5d – Fair value reserve

The fair value reserve at 31 December 2016 was positive at EUR 67,842 thousand (EUR 62,178 thousand at 31 December 2015) and comprises the items below.

(EUR thousand)	Balance at 1.1.2016	Change in Fair Value	Tax Effect	Other movements	Balance at 31.12.2016
Direct Investments / Shareholdings	16,244	(9,375)	0	(3,201)	3,668
Venture capital funds and funds of funds	45,934	16,037	(2,401)	4,604	64,174
Total	62,178	6,662	(2,401)	1,403	67,842

5e – Other reserves

Other reserves totalled EUR -11,661 thousand at 31 December 2016 (EUR -11,720 thousand at 31 December 2015) and are made up of:

- a reserve for stock option costs totalling EUR +973 thousand;
- a reserve for the sale of option rights, unchanged from 31 December 2015, totalling EUR +413 thousand. This originated from the sale of the remaining option rights to subscribe to a capital increase that had not been exercised by the shareholders and which were sold by the Company;
- other reserves that are negative at EUR -9,247 thousand relating to the associate Santé, chiefly for the pro-rata reclassification of the minority interests in Santé connected with the 2008-2009 extraordinary dividend distribution by Générale de Santé, and changes in 2010-2012;
- other reserves of EUR -3,800 thousand.

5f – Retained earnings (losses) carried forward

This item totalled EUR -129,574 thousand at 31 December 2016, compared with EUR -169,434 thousand at 31 December 2015. The overall increase of EUR 39,860 thousand was due to the allocation of profits for 2015.

5g – Profit (loss) for the year

The profit for the year of EUR 12,427 thousand is the consolidated result attributable to the Group for 2016 (EUR 41,072 thousand at 31 December 2015).

5h – Minority interests

This item, which totalled EUR 131,844 thousand at 31 December 2016 (EUR 138,172 thousand at 31 December 2015) relates to the minority interest in shareholders' equity resulting from the line-by-line consolidation of IDeA FIMIT SGR, the IDeA OF I fund and SPC.

The table below summarises details of the financial information of IDeA FIMIT SGR and IDeA OF I, before elimination of the intercompany relationships with the Group's other companies, as at 31 December 2016.

(EUR thousand)	IDeA FIMIT SGR		IDeA OF I Fund	
	2016	2015	2016	2015
Alternative Asset Management fees	40,261	47,725	0	0
Net profit/(loss) for the year	1,213	(7,605)	2,296	27,931
Profit/(loss) attributable to minorities	(806)	(6,891)	1,217	14,806
Other profit/(loss), net of tax effect	3,627	431	(543)	(11,537)
Total comprehensive profit/(loss) for the year	4,840	(7,174)	1,753	16,394
Total comprehensive profit/(loss) for the year attributable to minorities	489	(6,737)	929	8,690

(EUR thousand)	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	2016	2015	2016	2015
Current assets	30,175	31,367	136	3,428
Non-current assets	200,107	199,225	93,886	99,903
Current liabilities	(14,870)	(13,247)	(22)	(40)
Non-current liabilities	(10,738)	(12,084)	0	0
Net assets	204,674	205,261	94,000	103,291
Net assets attributable to minorities	82,031	83,479	49,829	54,755

(EUR thousand)	2016	2015	2016	2015
CASH FLOW from operations	(7,395)	20,626	(1,139)	18,512
CASH FLOW from investment assets	(234)	(95)	0	0
CASH FLOW from financial assets	(1,937)	(6,583)	(2,141)	(15,230)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(9,566)	13,948	(3,280)	3,282
Dividends paid to minorities during the year	(1,937)	(2,583)	0	0

6 – Non-current liabilities

6a – End-of-service payment fund

This item totalled EUR 4,016 thousand at 31 December 2016 versus EUR 4,713 thousand at end-2015.

The end-of-service payment fund (TFR) is a defined benefit plan, and as such was measured using actuarial methodology. This resulted in a liability calculated in demographic and financial terms on amounts owed to workers according to the number of years worked. The total present value of the liability is proportioned to the period of employment already completed at the calculation date, taking account of future salary increases and the employee's projected length of service.

Future TFR flows were discounted to the reporting date, using independent actuaries, based on the projected unit credit method. The valuation assumptions use an annual average discount rate that takes the iBoxx Eurozone Corporates AA 10+ index as a benchmark, maintaining this parameter constant compared with previous valuations.

Changes in TFR in 2016 are shown in the table below.

(EUR thousand)	Balance at 1.1.2016	Portion matured	Payments	Advances	Change in consolidation area	Balance at 31.12.2016
Movement in provision	4,713	815	(408)	(28)	(1,076)	4,016

The amounts recognised in the item were calculated as follows:

(EUR thousand)	31.12.2016	31.12.2015
Nominal value of provision	3,404	4,148
Discounting effect	612	565
Total provision	4,016	4,713

7 – Current liabilities

Current payables amounted to EUR 26,979 thousand at 31 December 2016 (EUR 31,294 thousand at 31 December 2015) and are all due within the following year. These payables are not secured on any company assets.

7a – Trade payables

Trade payables were EUR 6,019 thousand at 31 December 2016 versus EUR 15,598 thousand at 31 December 2015.

In respect of transactions with related parties, this item includes payables to affiliates:

- De Agostini Editore S.p.A., of approximately EUR 57 thousand;

- De Agostini Libri S.p.A., of approximately EUR 1 thousand;
- De Agostini Invest S.A., of approximately EUR 12 thousand.

Trade payables do not accrue interest and are settled, on average, within 30 to 60 days.

7b – Payables in respect of staff and social security organisations

This item totalled EUR 7,033 thousand at 31 December 2016 versus EUR 7,341 thousand at end-2015, and is largely due to:

- payables to social security organisations of EUR 1,391 thousand, paid after the close of the Financial Year 2016, with the exception of payables for social security liabilities calculated on accrued bonuses;
- payables to employees and directors of EUR 5,309 thousand for holidays not taken and accrued bonuses;
- other payables of EUR 333 thousand.

7c – Current tax payables

This item totalled EUR 2,941 thousand at 31 December 2016 (EUR 3,384 thousand at end-2015) and is largely due to the payable of EUR 1,903 thousand to the Parent Company De Agostini S.p.A. from IDeA Capital Funds SGR relating to its participation in the tax consolidation scheme.

7d – Other tax payables

This item, which was EUR 1,429 thousand at 31 December 2016 (EUR 1,571 thousand at end-2015), mainly relates to the payable to the tax authorities in respect of taxes deducted from the income of employees and self-employed staff totalling EUR 1,080 thousand, paid after the close of the 2016 financial year.

7e – Other payables

This item was EUR 8,335 thousand at 31 December 2016 (EUR 2,749 thousand at end-2015) and mainly relates to payables to IDeA FIMIT SGR (EUR 8,107 thousand), payables to managed funds (EUR 7,020 thousand) and payables to distributors (EUR 616 thousand).

7f – Short-term financial payables

This item was EUR 1,222 thousand at 31 December 2016 (EUR 651 thousand at end-2015) and mainly relates to SPC's bank exposure of approximately EUR 896 thousand.

Contingent liabilities

IAS 37 defines a contingent liability as a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Companies need not recognise contingent liabilities, but should still disclose them.

On 17 December 2014, DeA Capital S.p.A. received an assessment notice for the 2009 tax period of IDeA Alternative Investments S.p.A., a company which was merged into DeA Capital S.p.A. with effect from 1 January 2012. The assessment, which alleged that revenues had been significantly under-reported, was challenged in an appeal by DeA Capital before the Milan Provincial Tax Court.

Subsequently, on 10 November 2015, DeA Capital S.p.A. received another assessment notice for IDeA Alternative Investments S.p.A. relating to the 2010 tax period. The assessment alleged that revenues had been significantly under-reported and that spin-off costs had been improperly deducted. This assessment was also challenged in an appeal by DeA Capital before the Milan Provincial Tax Court.

On 14 November 2016, the Milan Provincial Tax Court approved the appeals regarding the alleged under-reporting of revenues for the years 2009/2010 in full and the appeal regarding the spin-off costs in part. The overall impact on the Income Statement of these outcomes was EUR 74 thousand, taking into account penalties and interest. There is a theoretical possibility that the tax authorities could still lodge an appeal against this ruling, which would have to take place within six months of the ruling. At the date of this document, this option had not been exercised.

Income statement

8 – Alternative asset management fees

Alternative asset management fees in 2016 were EUR 59,114 thousand compared with EUR 62,416 thousand in 2015.

These fees mainly relate to management fees paid to IDeA FIMIT SGR and IDeA Capital Funds SGR for the funds they manage.

9 – Income from investments valued at equity

This item includes income from the associates valued at equity for the period.

The profit of EUR 524 thousand in 2016 compared with the loss of EUR 539 thousand in 2015 was due to the gain reported for the stake in IDeA EESS and in IRE and the loss related to the stake in AVA.

10 – Other investment income and expenses

Investments in shareholdings and funds realised net income of around EUR 12,338 thousand in 2016, compared with net income of EUR 72,464 thousand in 2015.

Details are shown below.

(EUR thousand)	2016	2015
Gains from venture capital fund distributions	0	1,425
Gain from partial disposal of Kenan/Migros	0	46,315
Gain from partial disposal of IRE	3,257	0
Gains from real estate fund distributions	50	3,596
Gains from OF I fund management	2,798	32,496
Dividend from OF I fund management	6,120	0
Dividends from minor available-for-sale equity investments	0	50
Gain from revaluation of IDeA EESS quotes	5,693	0
Other gains	93	46
Gains from investments	18,011	83,928
Impairment venture capital funds	109	464
Impairment private equity funds	0	152
Impairment real estate funds	2,252	3,748
Impairment Iacobucci	0	6,000
Impairment Grandi Navi Veloci	0	1,068
Talgo evaluation	3,252	0
Other charges	60	32
Charges from investments	5,673	11,464
Total	12,338	72,464

Investment income

The item comprises the gain on sales of the Telit investment by IDeA OF I amounting to EUR 2,798 thousand.

The dividend figure of EUR 6,120 thousand is mainly due to the distribution of dividends to the IDeA OF I fund by Lauro Cinquantasette, which in turn derive from income received from the sale of Euticals, of EUR 6,054 thousand.

The item also includes net income on the sale of the 55% investment in IRE (EUR 3,257 thousand) and the increased value of units in the IDeA EESS fund (totalling EUR 5,693 thousand).

Impairment

The fair value measurement of investments in funds and shareholdings at 31 December 2016 is based on information and documents received from the funds and shareholdings, and other available information.

The valuation of the investment in Talgo by the IDeA OF I fund generated a net capital loss of EUR 3,253 thousand.

The impairment charge of EUR 2,252 thousand on real estate funds relates to the reduction in the value of units in the Gamma, Beta, Theta Comparto Focus, Senior, AVA, Atlantic 1 and IDeA FIMIT Sviluppo funds in IDeA FIMIT SGR.

11 – Service revenues

In 2016, these revenues totalled EUR 8,509 thousand, compared with EUR 18,496 thousand in 2015, and mainly relate to services connected with consulting, management and the sale of real estate held in the portfolios of real estate funds.

The item only contains IRE revenues received up to 10 June 2016, given the sale on that date of the controlling interest in the company and the subsequent switch to valuing it at equity.

12 – Other revenues and income

Other revenues and income, totalling EUR 288 thousand in 2016 (compared with EUR 3,204 thousand at end-2015) relate mainly to the reversal of the carried interest to be paid to BC Partners, the lead investor in Kenan, subject to the achievement of specific profitability targets, of EUR 3,008 thousand.

13 – Operating costs

Operating costs in 2016 were EUR 66,888 thousand, compared with EUR 128,514 thousand in the previous year.

13a – Personnel costs

Total personnel costs were EUR 31,003 thousand in 2016, compared with EUR 32,519 thousand in 2015.

The item breaks down as follows:

(EUR thousand)	2016	2015
Salaries and wages	17,978	17,935
Social charges on wages	5,167	5,388
Board of directors' fees	4,291	5,032
Stock options	674	487
Employee severance indemnity	1,164	1,125
Other personnel costs	1,729	3,314
Long term incentive plans reversal	0	(762)
Total	31,003	32,519

At 31 December 2016, the DeA Capital Group had a total of 186 employees (231 at 31 December 2015).

The table below shows the changes and average number of Group employees during 2016.

Position	1.1.2016	Recruits	Departures	Other changes	Consolidation area change	31.12.2016	Average
Senior Managers	35	6	(5)	1	(4)	33	34
Junior Managers	65	6	(6)	2	(11)	56	59
Staff	131	19	(14)	(3)	(36)	97	108
Total	231	31	(25)	0	(51)	186	201

Share-based payments

Employees of DeA Capital S.p.A. and the Parent Company, De Agostini S.p.A. are beneficiaries of stock option and performance share plans based on the shares of DeA Capital S.p.A. Unexercised but valid call options on the Company's shares at 31 December 2016 totalled 3,331,375.

Stock option and performance share plans were valued using the numerical binomial tree procedure (the original Cox, Ross and Rubinstein method). Numerical analysis using binomial trees generates simulations of various possible developments in the share price in future periods.

On 21 April 2016, the DeA Capital S.p.A. Shareholders' Meeting approved the DeA Capital Performance Share Plan 2016-2018, under which a maximum of 1,250,000 units may be allocated. On the same date, in implementation of the shareholders' resolution, the Board of Directors of DeA Capital S.p.A. voted: (i) to launch the DeA Capital Performance Share Plan 2016-2018 approved by the shareholders' meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation; and (ii) to allocate a total of 1,000,000 units (representing the right to receive ordinary shares in the Company free of charge, under the terms and conditions of the plan) to certain employees and/or directors performing particular roles at the Company, its subsidiaries and the Parent Company De Agostini S.p.A.

The shares allocated due to the vesting of units will be drawn from the treasury shares already held by the Company so that the allocation will not have a dilutive effect.

The shareholders' meeting also approved the Company's Remuneration Policy pursuant to art. 123-ter of the TUF.

Subsequently, on 08 September 2016, in view of the distribution of the extraordinary dividend of EUR 0.12 approved by the Shareholders' Meeting on 21 April 2016 and the resulting reduction in the DeA Capital share value, the Board of Directors of DeA Capital, as the competent body pursuant to the plans' regulations, approved a number of amendments to the following incentive-based plans in order to keep the substance and financial content unchanged. Specifically:

- Performance share plans. The Board voted to compensate for the lower value of the plans following the distribution of the extraordinary dividend, in the event that the vesting conditions are met, by allocating new units, to be determined on the vesting date. The new units, which will be valued at the price per share on the same date, will be allocated pro rata to the portion of units that have vested, up to the maximum number of units provided for under the above-mentioned plans. The Board also resolved that where the lower value of the plans cannot be compensated for by the allocation of new units, a one-off bonus will be paid as compensation in cash, commensurate with the portion of units that has vested.
- Stock option plans. The Board of Directors voted to compensate for the lower value of the plans following the distribution of the extraordinary dividend, by the award of a one-off cash bonus commensurate with the portion of units that have vested.

No loans and/or guarantees in favour of directors and/or auditors of the Parent Company and its subsidiaries were issued.

13b – Service costs

Service costs were EUR 19,472 thousand in 2016 versus EUR 22,397 thousand in 2015.

A breakdown of these costs is shown in the table below.

(EUR thousand)	2016	2015
Admin. Consulting, Tax and Legal and other costs	7,119	9,146
Remuneration of internal committees	619	635
Maintenance	234	225
Travel expenses	913	1,036
Utilities and general expenses	1,445	1,431
Third-party rental, royalties and leasing	4,100	4,304
Bank charges	111	127
Books, stationery and conventions	334	418
Commission expense	1,770	1,269
Other expenses	2,827	3,806
Total	19,472	22,397

13c – Depreciation, amortisation and impairment losses

Please see the table on changes in intangible and tangible assets for details on this item.

13d – Other costs

This item totalled EUR 4,527 thousand in 2016 (EUR 9,577 thousand in 2015) and mainly consisted of:

- an adjustment of the IDeA FIMIT SGR receivable from the Beta fund for final variable commission, and the write-down of receivables for fixed commission of the Private RE, Atlantic 6 and Eta funds, of EUR 3,086 thousand;
- the cost incurred by IDeA FIMIT SGR totalling EUR 1,279 thousand resulting from an inability to deduct VAT incurred on purchase transactions on the basis of the pro-rata amount specified by art. 19 of Presidential Decree 633/1972.

14 – Financial income and charges

14a – Financial income

Financial income in 2016 totalled EUR 888 thousand (EUR 6,058 thousand in 2015) and mainly included interest income of EUR 573 thousand for the OF I fund on the sale of Manutencoop.

(EUR thousand)	2016	2015
Interest income	885	1,939
Income from financial instruments valued at fair value through profit and loss	0	0
Derivative income	0	0
Income earn-out adjustement	0	0
Foreign exchange gains	3	3,571
Other income	0	548
Total	888	6,058

14b – Financial charges

Financial charges in 2016 amounted to EUR 2,108 thousand (EUR 1,076 thousand in 2015), mainly due to interest payable on exchange rate losses (unrealised) by the IDeA OF I fund when valuing the 2IL Orthopaedics LTD (Corin) investment of EUR 1,752 thousand.

(EUR thousand)	2016	2015
Interest expense	184	1,026
Exchange losses	1,843	7
Financial charge IAS 19	55	43
Other	26	0
Total	2,108	1,076

15 – Income tax for the period, deferred tax assets and deferred tax liabilities

This item, totalling EUR -199 thousand for 2016 (EUR 6,452 thousand in 2015), includes current income tax due for the year of EUR -3,614 thousand and deferred tax assets of EUR +3,415 thousand. This was mainly due to the use of deferred tax liabilities by IDeA FIMIT SGR totalling EUR 1,653 thousand (following the write-down of EUR 5,000 thousand to intangible assets from variable commission) and deferred tax assets of EUR 2,204 thousand arising from the elimination (due to available tax losses at parent company level) of the tax liability recorded following the valuation of the funds.

The table below shows the taxes determined on the basis of the rates and the Group's taxable income. The latter was calculated in light of applicable legislation.

(EUR thousand)	2016	2015
Current taxes:		
Income from tax consolidation scheme	2,164	2,278
- IRES	(3,916)	(7,122)
- IRAP	(1,799)	(1,998)
- Other tax	(63)	(3)
Total Current taxes	(3,614)	(6,845)
Deferred taxes for the period:		
- Charges for deferred/prepaid taxes	(1,214)	(17)
- Income from deferred/prepaid taxes	4,635	6,579
- Use of deferred tax liabilities	0	7,556
- Use of deferred tax assets	(6)	(821)
Total deferred taxes	3,415	13,297
Total income tax	(199)	6,452

The table below shows a reconciliation of the tax charges recorded in the Consolidated Financial Statements and the theoretical tax charge for 2016 calculated using the corporate income tax (IRES) rate applicable in Italy.

(EUR thousand)	2016		2015	
	Amount	Rate	Amount	Rate
Profit before tax	12,665		32,509	
Tax on theoretical income	3,483	27.5%	8,940	27.5%
Tax on inter-company dividends	163	1.3%	301	0.9%
Intangible assets amortization	1,375	10.9%	5,638	17.3%
Write-downs of equity investments and loans	0	0.0%	82	0.3%
Effect of companies with different taxation from that of Italy	0	0.0%	0	0.0%
Use of tax losses not previously recognised	0	0.0%	0	0.0%
Net profit/(loss) from subsidiaries not subject to taxation	(631)	(5.0%)	(7,062)	(21.7%)
Net profit/(loss) from associates not subject to taxation	(184)	(1.5%)	0	0.0%
Non-deductible interest	0	0.0%	182	0.6%
Income from tax consolidation scheme	153	1.2%	(678)	(2.1%)
Other net differences	(1,719)	(13.6%)	(3,080)	(9.5%)
Net effect of prepaid/deferred taxes	(3,630)	(28.7%)	(12,664)	(39.0%)
IRAP and other taxes on foreign income	1,191	9.4%	1,889	5.8%
Income tax reported in the income statement	199	1.6%	(6,452)	-19.8%

16 – Basic earnings (loss) per share

Basic earnings per share are calculated by dividing net profit for the period attributable to the Group's shareholders by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by dividing net profit for the period attributable to the Group's shareholders by the weighted average number of shares outstanding during the period including any diluting effects of existing stock option plans, in the event the allocated options are "in the money".

The table below shows the income and the share information used to calculate basic and diluted earnings per share:

(EUR thousand)	Esercizio 2016	Esercizio 2015
Consolidated net profit/(loss) - Group share (A)	12,427	41,072
Weighted average number of ordinary shares outstanding (B)	263,141,530	266,557,823
Basic earnings/(loss) per share (€ per share) (C=A/B)	0.047	0.154
Restatement for dilutive effect	-	-
Consolidated net profit/(loss) restated for dilutive effect (D)	12,427	41,072
Weighted average number of shares to be issued for the exercise of stock options (E)	120,311	956,844
Total number of shares outstanding and to be issued (F)	263,261,840	267,514,667
Diluted earnings/(loss) per share (€ per share) (G=D/F)	0.047	0.154

Options have a dilutive effect only when the average market price of the share for the period exceeds the strike price of the options or warrants (i.e. when they are "in the money").

Primary and secondary reporting formats

The information on businesses reflects the Group's internal reporting structure. These businesses are:

- **Private Equity Investment**, which includes the reporting units involved in investment activities and breaks down into equity investments (direct investments) and investments in funds (indirect investments);
- **Alternative Asset Management**, which includes reporting units involved in asset management activities and related services, with a current focus on the management of private equity and real estate funds.

**Summary Group Income Statement -
performance by business in 2016**

(EUR thousand)	Private Equity Investment	Alternative Asset Management	Holdings/ Eliminations	Consolidated
Alternative Asset Management fees	0	60,985	(1,871)	59,114
Income (loss) from equity investments	(7)	531	0	524
Other investment income/expense	11,250	1,088	0	12,338
Income from services	0	8,336	461	8,797
Other expenses	(2,122)	(60,245)	(4,521)	(66,888)
Financial income and expenses	(1,262)	19	23	(1,220)
PROFIT/(LOSS) BEFORE TAXES	7,859	10,714	(5,908)	12,665
Income tax	0	(3,405)	3,206	(199)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	7,859	7,309	(2,702)	12,466
Profit (Loss) from discontinued operations/held-for-sale assets	0	0	0	0
PROFIT/(LOSS) FOR THE PERIOD	7,859	7,309	(2,702)	12,466
- Group share	6,642	8,487	(2,702)	12,427
- Non controlling interests	1,217	(1,178)	0	39

**Summary Group Income Statement -
performance by business in 2015**

(EUR thousand)	Private Equity Investment	Alternative Asset Management	Holdings/ Eliminations	Consolidated
Alternative Asset Management fees	0	64,672	(2,256)	62,416
Income (loss) from equity investments	(180)	(359)	0	(539)
Other investment income/expense	72,552	(88)	0	72,464
Income from services	3,054	18,549	97	21,700
Other expenses	(2,455)	(120,285)	(5,774)	(128,514)
Financial income and expenses	5,065	616	(699)	4,982
PROFIT/(LOSS) BEFORE TAXES	78,036	(36,895)	(8,632)	32,509
Income tax	0	(409)	6,861	6,452
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	78,036	(37,304)	(1,771)	38,961
Profit (Loss) from discontinued operations/held-for-sale assets	286	0	0	286
PROFIT/(LOSS) FOR THE PERIOD	78,322	(37,304)	(1,771)	39,247
- Group share	63,516	(20,673)	(1,771)	41,072
- Non controlling interests	14,806	(16,631)	0	(1,825)

Notes to the Cash Flow Statement

Changes to the Cash Flow Statement have been reported using the direct method.

Given the type of activity carried out by the Group, cash flow from investment in companies and funds (one of the Group's typical activities) is included in cash flow from operating activities.

In 2016, operating activities, as defined above, generated cash and cash equivalents of EUR 19,148 thousand (EUR 188,492 thousand in 2015). Please see the Consolidated Cash Flow Statement for information on changes to this item.

In 2016, financial activities absorbed EUR 37,856 thousand (EUR 120,580 thousand in 2015). Please see the Consolidated Cash Flow Statement for information on changes to this item.

Cash and cash equivalents totalled EUR 96,438 thousand at end-2016, compared with EUR 123,468 thousand at the end of the 2015.

Other information

Treasury shares and Parent Company shares

On 21 April 2016, the Shareholders' Meeting of DeA Capital S.p.A. authorised the Board of Directors to buy and sell, on one or more occasions and on a revolving basis, a maximum number of treasury shares representing a stake of up to 20% of the share capital.

The new plan replaces the previous plan approved by the shareholders' meeting on 17 April 2015 (which was scheduled to expire with the approval of the 2015 Annual Financial Statements), and will pursue the same objectives, including purchasing treasury shares to be used for extraordinary transactions and share incentive schemes, offering shareholders a means of monetising their investment, stabilising the share price and regulating trading within the limits of current legislation.

The authorisation specifies that purchases may be made until the date of the shareholders' meeting to approve the Financial Statements for the Year Ending 31 December 2016, and in any case not beyond the maximum duration of 18 months allowed by law, and that DeA Capital S.p.A. may also sell the shares purchased for the purposes of trading, without time limits. The unit price for the purchase of the shares will be set on a case-by-case basis by the Board of Directors, but must not be more than 20% above or below the share's reference price on the trading day prior to each purchase.

The authorisation to sell treasury shares already held in the Company's portfolio and any shares bought in the future was granted for an unlimited period; sales may be carried out using the methods deemed most appropriate and at a price to be determined on a case-by-case basis by the Board of Directors, which must not, however, be more than 20% below the share's reference price on the trading day prior to the sale (apart from certain exceptions specified in the plan), although this limit may not apply in certain cases.

On the same date, the Board of Directors voted to implement the plan to buy and sell treasury shares authorised by the shareholders' meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation, and set the maximum unit price above which purchases of treasury shares may not be made, at the NAV per share indicated in the most recent statement of financial position approved and disclosed to the market.

At the same meeting, the Company's Board of Directors also voted to adopt market practice regarding the acquisition of treasury shares by setting up a "securities warehouse", as permitted by Consob Resolution 16839 of 19 March 2009.

In 2016, as a part of the above plans, DeA Capital S.p.A. purchased 3,178,745 shares valued at approximately EUR 3,776,237 (at an average price of EUR 1.19 per share).

Taking into account purchases made in previous years for plans in place at any given time, and the use of treasury shares to service purchases of controlling interests in FARE Holding and IDeA Alternative Investments and to service incentive plans, at 31 December 2016 the Company owned 45,404,954 treasury shares (equal to about 14.81% of share capital).

As of the date of this document, based on purchases of 451,966 shares made after the end of 2016, the Company had a total of 45,856,920 treasury shares corresponding to about 14.96% of the share capital.

During 2016, the Company did not hold, purchase or sell, on its own account or through a trust company, any shares in the Parent Company De Agostini S.p.A..

Stock option and performance share plans

On 21 April 2016, the DeA Capital S.p.A. Shareholders' Meeting approved the DeA Capital Performance Share Plan 2016-2018, under which a maximum of 1,250,000 units may be allocated. On the same date, in implementation of the shareholders' resolution, the Board of Directors of DeA Capital S.p.A. voted: (i) to launch the DeA Capital Performance Share Plan 2016-2018 approved by the shareholders' meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation; and (ii) to allocate a total of 1,000,000 units (representing the right to receive ordinary shares in the Company free of charge, under the terms and conditions of the plan) to certain employees and/or directors performing particular roles at the Company, its subsidiaries and the Parent Company De Agostini S.p.A.

The shares allocated due to the vesting of units will be drawn from the treasury shares already held by the Company so that the allocation will not have a dilutive effect.

The shareholders' meeting also approved the Company's Remuneration Policy pursuant to art. 123-ter of the TUF.

In May 2016, 462,736 treasury shares (approximately 0.2% of the share capital) were allocated as a result of the vesting of the 2013-2015 long-term incentive-based plans of DeA Capital S.p.A. (performance share and stock option), generating EUR 352 thousand through the exercise of the stock option plan.

Subsequently, on 08 September 2016, in view of the distribution of the extraordinary dividend of EUR 0.12 approved by the Shareholders' Meeting on 21 April 2016 and the resulting reduction in the DeA Capital share value, the Board of Directors of DeA Capital, as the competent body pursuant to the plans' regulations, approved a number of amendments to the following incentive-based plans in order to keep the substance and financial content unchanged. Specifically:

- Performance share plans. The Board voted to compensate for the lower value of the plans following the distribution of the extraordinary dividend, in the event that the vesting conditions are met, by allocating new units, to be determined on the vesting date. The new units, which will be valued at the price per share on the same date, will be allocated pro rata to the portion of units that have vested, up to the maximum number of units provided for under the above-mentioned plans. The Board also resolved that where the lower value of the plans cannot be compensated for by the allocation of new units, a one-off bonus will be paid as compensation in cash, commensurate with the portion of units that has vested.
- Stock option plans. The Board of Directors voted to compensate for the lower value of the plans following the distribution of the extraordinary dividend, by the award of a one-off cash bonus commensurate with the portion of units that have vested.

The tables below summarise the assumptions made in calculating the fair value of the plans.

Stock options	plan 2005	plan 2013	plan 2014
No. of options allocated	180,000	1,550,000	1,550,000
Average market price at allocation date	2.703	1.26	1.44
Value at allocation/modification date	486,540	318,267	364,250
Average exercise price	2.46	1.00	1.02
Expected volatility	29.40%	21.78%	22.06%
Option expiry date	30/04/16	31/12/18	31/12/19
Risk-free rate	3.60%	0.71%	0.71%

The Allocation Plan 2005 may be considered lapsed as the conditions for exercising option rights were not met.

Performance Share	plan 2014	plan 2015	plan 2015	plan 2016
Nº units allocated	393,500	515,000	150,000	1,000,000
Unit value	1.44	1.46	1.34	1.19
Value at allocation/modification date	228,230	302,477	66,750	1,185,000
Expected volatility	22.06%	24.83%	25.54%	22.14%
Option expiry date	31/12/16	30/06/19	30/06/19	30/06/20
Risk-free rate	0.42%	0.95%	0.82%	0.26%

Transactions with parent companies, subsidiaries and related parties

Transactions with related parties

Transactions with related parties, including those with other Group companies, were carried out in accordance with the Procedure for Related Party Transactions adopted by the Company with effect from 1 January 2011, in accordance with the provisions of the Regulation implemented pursuant to art. 2391-bis of the Italian Civil Code with Consob Resolution 17221 of 12 March 2010, as subsequently amended. During the year, the Company did not carry out any atypical or unusual transactions with related parties, only those that are part of the normal business activities of group companies. It also did not carry out any "significant transactions" as defined in the above-mentioned procedure. Transactions with related parties during the year were concluded under standard market conditions, taking into account the nature of the goods and/or services offered.

With regard to transactions with parent companies, note the following:

- 1) DeA Capital S.p.A. signed a service agreement with the controlling shareholder, De Agostini S.p.A., for the latter to provide operating services in administration, finance, control, legal, corporate, tax, investor relations, and institutional and press services.

This agreement, which is automatically renewed each year, is priced at market rates, and is intended to allow the Company to maintain a streamlined organisational structure in keeping with its development policy, while obtaining sufficient operational support.

At the same time, on 1 January 2013, DeA Capital S.p.A. signed an "Agreement to sub-let property for use other than residential use" with the controlling shareholder, De Agostini S.p.A. The agreement relates to parts of a building located at Via Brera, 21, Milan, comprising space for office use, warehousing and car parking.

This agreement is renewable every six years after an initial term of seven years.

2) DeA Capital S.p.A., IDEA Capital Funds SGR, DeA Capital Real Estate and Idea Real Estate have adopted the national tax consolidation scheme of the De Agostini Group (the Group headed by De Agostini S.p.A., formerly B&D Holding di Marco Drago e C. S.a.p.a.). This option was exercised jointly by each company and De Agostini S.p.A. through the signing of the "Regulation for participation in the national tax consolidation scheme for companies in the De Agostini Group" and notifying the tax authorities of this option pursuant to the procedures and terms and conditions laid down by law. The option is irrevocable unless the requirements for applying the scheme are not met.

The option is irrevocable for DeA Capital S.p.A. for the three-year period 2014-2016, for IDEA Capital Funds SGR for the three-year period 2015-2017, and for DeA Capital Real Estate and Idea Real Estate for the three-year period 2016-2018.

3) In order to allow more efficient use of liquidity and the activation of credit lines with potentially better terms and conditions compared with those that may be obtained from banks, DeA Capital S.p.A. has signed a framework agreement (Framework Agreement) with the Parent Company De Agostini S.p.A. for the provision of short-term intercompany loans/deposits.

Deposit/financing operations falling within this Framework Agreement shall be activated only subject to verification that the terms and conditions, as determined from time to time, are advantageous, and will be provided on a revolving basis, and with maturities of not more than three months. The Framework Agreement has a duration of one year and is automatically renewed each year.

The amounts involved in the deposit/financing operations will, however, always be below the thresholds defined for "transactions of lesser importance" pursuant to Consob Regulation 17221/2010 (Transactions with Related Parties) and the internal Procedure for Related Party Transactions adopted by DeA Capital S.p.A.

Lastly, the Company did not hold, purchase or dispose of shares of related-party companies in 2016, except as previously described in the section "Scope of consolidation".

The table below summarises the amounts of trade-related transactions with related parties.

(EUR thousand)	31.12.2016						2016					
	Financials credits	Trade receivables	Tax receivables	Other tax receivables	Tax payables	Trade payables	Income from services	Other income	Financial income	Financial expenses	Personnel costs	Service costs
Sigla S.r.l.	2,138	0	0	0	0	0	0	0	140	0	0	0
Gruppo Innovation Real Estate	0	10	0	0	71	0	0	0	0	0	0	0
De Agostini S.p.A.	0	80	2,282	108	1,903	6	358	0	0	0	(162)	(626)
Gruppo De Agostini Editore S.p.A.	0	2	0	0	0	147	57	1	0	0	(58)	(344)
Lottomatica S.p.A.	0	1	0	0	0	0	42	0	0	0	0	0
DeA Factor S.p.A.	0	0	0	0	0	0	0	0	0	0	0	0
De Agostini Invest S.A.	0	0	0	0	0	0	0	0	0	0	0	(22)
Total related parties	2,138	93	2,282	108	1,974	153	457	1	140	0	(221)	(993)
Total financial statement line item	3,675	11,191	2,282	9,190	2,941	6,019	67,623	288	888	(2,108)	(31,003)	(19,472)
As % of financial statement line item	58.2%	0.8%	100.0%	1.2%	67.1%	2.5%	0.7%	0.3%	15.8%	0.0%	0.7%	5.1%

Remuneration: directors of the board, auditors, general managers and managers with strategic responsibilities

In 2016, remuneration payable to the directors and auditors of DeA Capital S.p.A. for the performance of their duties totalled EUR 313 thousand and EUR 126 thousand respectively.

Remuneration paid to directors, auditors and senior managers with strategic responsibilities is shown in the table below:

Director	Position	Period position held	Position expires	Fees for position at company preparing the financial statements in EUR thousand	Non-cash benefits	Bonuses and other incentives	Statutory auditors' fees for positions held at subsidiaries	Other remuneration EUR/000
Lorenzo Pellicioli	Chairman	2016	Approval fin. statements 2018	30	0	0	0	0
Paolo Ceretti	Chief Executive Officer	2016	Approval fin. statements 2018	30	0	0	0	204
Gian Andrea Perco	Senior managers with strategic responsibilities	2016	-	0	0	0	0	55
Lino Benassi	Director	from 6 april 2016	Approval fin. statements 2018	22	0	0	0	0
Carlo Ferrari Ardicini	Director	from 21 april 2016	Approval fin. statements 2018	21	0	0	0	0
Busso Donatella	Director	2016	Approval fin. statements 2018	30	0	0	0	10
Rosario Bifulco	Director	until 21 april 2016	-	9	0	0	0	8
Francesca Galfetto	Director	2016	Approval fin. statements 2018	30	0	0	0	10
Roberto Drago	Director	until 21 april 2016	-	9	0	0	0	0
Marco Drago	Director	2016	Approval fin. statements 2018	30	0	0	0	0
Severino Salvemini	Director	2016	Approval fin. statements 2018	30	0	0	0	33
Daniela Toscani	Director	from 21 april 2016	Approval fin. statements 2018	21	0	0	0	10
Elena Vasco	Director	from 21 april 2016	Approval fin. statements 2018	21	0	0	0	7
Marco Boroli	Director	2016	Approval fin. statements 2018	30	0	0	0	0
Cesare Grifoni	Chairman of the Board of Statutory Auditors	from 21 april 2016	Approval fin. statements 2018	31	0	0	7	7
Fabio Facchini	Permanent Auditor	from 21 april 2016	Approval fin. statements 2018	21	0	0	0	0
Annalisa Donesana	Permanent Auditor	2016	Approval fin. statements 2018	36	0	0	43	12
Angelo Gaviani	Chairman of the Board of Statutory Auditors	until 21 april 2016	-	23	0	0	0	3
Gian Piero Balducci	Permanent Auditor	until 21 april 2016	-	15	0	0	17	5

In contrast to the data contained in the Remuneration Report prepared pursuant to art. 123-ter of the TUF in accordance with art. 84-quater of the Issuer Regulation, the emoluments and compensation indicated above do not include social security contributions where applicable.

"Other remuneration" relates to remuneration received for other positions held in either DeA Capital S.p.A. or other Group companies.

In 2016, annual salaries and bonuses, excluding benefits in kind, paid to managers with strategic responsibilities in the Parent Company totalled about EUR 408 thousand.

Shareholdings held by directors, auditors, general managers and managers with strategic responsibilities

Details of shareholdings held in DeA Capital S.p.A. and its subsidiaries by members of the boards of directors and auditors and by managers with strategic responsibilities are provided in aggregate format in the table below.

No shareholdings were reported for general managers since, to date, this position does not exist.

All those who held positions on the boards of directors or auditors, or as managers with strategic responsibilities, for the whole or part of the year in question, are included.

Name and surname	Investee company	No. of shares held at 1.1.2016	No. of shares purchased	No. of shares sold	Other movements	No. of shares held at 31.12.2016
Lorenzo Pellicioli	DeA Capital S.p.A.	2,566,323	0	0	0	2,566,323
Paolo Ceretti	DeA Capital S.p.A.	1,000,000	249,513	(49,513)	0	1,200,000
Rosario Bifulco	DeA Capital S.p.A.	1,536,081	0	0	(1,536,081)	0
Lino Benassi	DeA Capital S.p.A.	23,500	0	(23,500)	0	0
Key Management	DeA Capital S.p.A.	305,000	260,995	0	(45,995)	520,000
Total		5,430,904	510,508	(73,013)	(1,582,076)	4,286,323

Other than the shares indicated above, no DeA Capital shares are held by other directors or auditors who are currently in office; furthermore, no shares are held in companies controlled by DeA Capital.

Directors Lorenzo Pellicioli, Marco Drago, Marco Boroli and Roberto Drago (three-year mandate terminated on 21 April 2016) own shares of B&D Holding di Marco Drago e C. S.a.p.a. and, in the case of directors Marco Drago, Roberto Drago and Marco Boroli, shares of De Agostini S.p.A., which control the Company both directly and indirectly, and are parties to a shareholders' agreement covering these shares.

Lastly, "other changes" in the preceding table take account of the following events:

- expiry on 21 April 2016 of the mandate of director Rosario Bifulco;
- termination of the employment relationship with managers with strategic responsibilities.

Stock options allocated to members of the boards of directors and auditors, general managers and managers with strategic responsibilities

Details of stock options held by members of the boards of directors and auditors and by managers with strategic responsibilities in DeA Capital S.p.A. and its subsidiaries are provided in aggregate format in the table below.

Beneficiary	Position	Options outstanding at 1 January 2016			Options granted during 2016			Options exercised during 2016	Options lapsed/cancelled during 2016	Options outstanding at 31 december 2016		
		Number of options	Average exercise price	Average expiry date	Number of options	Average exercise price	Average expiry date			Number of options	Average exercise price	Average expiry date
Paolo Ceretti	CEO	950,000	1.00	5	0	0	0	215,745	734,255	0	0	0
Paolo Ceretti	CEO	950,000	1.02	5	0	0	0	0	0	950,000	1.02	5
Key Management		600,000	1.00	5	0	0	0	136,260	463,740	0	0	0
Key Management		600,000	1.02	5	0	0	0	0	150,000	450,000	1.02	5

Lastly, note that the Chief Executive Officer, Paolo Ceretti, and managers with strategic responsibilities were assigned 350,000 and 507,500 performance shares respectively in 2016, as shown in the table below.

Performance shares	Beneficiary	Position	Units outstanding at 1 January 2016			Units granted during 2016			Units exercised during 2016	Units lapsed/cancelled during 2016	Units outstanding at 31 december 2016		
			Number of Units	Units Price	Average expiry date	Number of Units	Units Price	Average expiry date			Number of Units	Units Price	Average expiry date
	Paolo Ceretti	CEO	120.000	1,60	3	0	0	0	33.768	86.232	0	0	0
	Paolo Ceretti	CEO	120.000	1,44	3	0	0	0	0	0	120.000	1,44	3
	Paolo Ceretti	CEO	250.000	1,46	4	0	0	0	0	0	250.000	1,46	4
	Paolo Ceretti	CEO	0	0	0	350.000	1,19	4	0	0	350.000	1,19	4
Key Management			84.625	1,60	3	0	0	0	23.814	60.811	0	0	0
Key Management			84.625	1,44	3	0	0	0	0	24.625	60.000	1,44	3
Key Management			170.000	1,46	4	0	0	0	0	45.000	125.000	1,46	4
Key Management			150.000	1,34	4	0	0	0	0	0	150.000	1,34	4
Key Management			0	0	0	507.500	1,19	4	0	57.500	450.000	1,19	4

Main risks and uncertainties to which the Parent Company and consolidated Group companies are exposed

As described in the Report on Operations, the DeA Capital Group operates through, and is structured as, two business areas, Private Equity Investment and Alternative Asset Management.

The risks set out below take into account the features of the market and the operations of the Parent Company DeA Capital S.p.A. and the consolidated Group companies, the main findings of a risk assessment carried out in 2016, as well as the periodic monitoring conducted partly through the regulatory policies adopted by the Group.

The Group has adopted a modern corporate governance system that provides effective management of the complexities of its operations, and enables both individual companies and the Group to achieve their strategic objectives. Furthermore, the assessments carried out by the organisational units and the directors confirm the non-critical nature of these risks and uncertainties, as well as the DeA Capital Group's financial solidity.

With reference to the specific risks relating to Migros, the main private equity investment, please see the Migros Annual Report (available on the Migros website).

A. Contextual risks

A.1 Risks relating to general economic conditions

The operating performance and financial position of the DeA Capital Group are affected by the various factors that make up the macro-economic environment in the countries in which the Group has invested, including GDP performance, investor and consumer confidence, interest rates, inflation, the costs of raw materials and unemployment. The ability to meet medium- to long-term objectives could be affected by general economic trends, which could slow the development of sectors the Group has invested in and/or the business of the investee companies.

A.2 Socio-political events

In line with its own strategic growth guidelines, one of the DeA Capital Group's activities is private equity investment in companies and funds in different jurisdictions and countries around the world which, in turn, invest in a number of countries and geographical areas. The DeA Capital Group may have invested in foreign countries whose social, political and economic conditions put the achievement of its investment objectives at risk.

A.3 Regulatory changes

Group companies conduct their operations in regulated sectors and markets. Any changes to or developments in the legislative or regulatory framework that affect the costs and revenues structure of investee companies or the tax regime applied could have negative effects on the Group's financial results and necessitate changes to the Group's strategy. To combat this risk, the Group has established procedures to constantly monitor sector regulation and any changes thereto, in order to take advantage of business opportunities and respond promptly to any changes in the prevailing legislation and regulations.

A.4 Performance of the financial markets

The Company's ability to meet its strategic and management objectives could depend on the performance of financial markets. A negative trend in financial markets could have an effect on the Private Equity Investment sector in general, making investment and divestment transactions more complex, and, in particular, on the Group's capacity to increase the value of its investments. The value of shareholdings held directly or indirectly through funds in which the Company has invested could be affected by factors such as comparable transactions concluded on the market, sector multiples and market volatility. These factors that cannot be directly controlled by the Group are constantly monitored in order to identify appropriate response strategies that involve both the provision of guidance for the management of Group companies, and the investment and value enhancement strategy for the assets held.

A.5 Exchange rates

Holding investments in currencies other than the euro exposes the Group to changes in exchange rates between currencies. The investment in Kenan Investments is managed as a special case, since although it was made in euros, the underlying asset is expressed in Turkish lira. Taking into account the time horizon of the investment, it is believed that the expected return on the investment could absorb any devaluation of the underlying currency, if this is in line with the outlook.

A.6 Interest rates

Financing operations that are subject to variable interest rates could expose the Group to a decrease in the value of direct and indirect investments if the reference interest rates rise significantly. Here too, the Group has adopted procedures to constantly monitor the risk concerned.

B. Strategic risks

B.1 Concentration of the Private Equity investment portfolio

The Private Equity Investment strategy adopted by the Group includes:

- direct investments
- indirect investments (via funds)

Within this strategy, the Group's overall profitability could be adversely affected by an unfavourable trend in one or a few investments, if there were insufficient risk diversification, resulting from the excessive concentration of investment in a small number of assets, sectors, countries, currencies, or of indirect investments in funds with limited investment targets/types of investment.

To address these risk scenarios, the Group pursues an asset allocation strategy aimed at defining a balanced portfolio with a moderate risk profile. Furthermore, the combination of direct and indirect investments, which, by their nature, provide a high level of diversification, helps reduce the level of asset concentration.

B.2 Concentration of Alternative Asset Management activities

In the Alternative Asset Management business, events could lead to excessive concentration of assets and therefore hinder achievement of the level of expected returns. These events could be due to:

- **Private equity funds**
 - concentration of the assets managed by asset management companies across a limited number of funds, if it were decided to terminate the asset management mandate for one or more funds;
 - concentration of the financial resources of the funds managed across a limited number of sectors and/or geographical areas, in the event of a currency, systemic or sector crisis;
 - for closed-end funds, the concentration of the commitment across just a few subscribers.
- **Real estate funds**
 - concentration of real estate present in the portfolio of managed funds in a few cities and/or in limited types of property (management/commercial), in the event of a slump in the property market concerned;
 - concentration in respect of certain major tenants, if they were to withdraw from the rental contracts, which could lead to a vacancy rate that would have a negative impact on the funds' financial results and the valuation of the properties managed;
 - concentration of the maturities of numerous real estate funds within a narrow timeframe, with related high availability of property on the market, leading to a decrease in property values and an increase in selling times.

For each of the risk scenarios outlined above, the Group has defined and implemented appropriate strategies that include strategic, operational and management aspects, as well as a system monitoring the level of asset diversification in the Alternative Asset Management business.

B.3 Key resources (governance/organisation)

The success of the DeA Capital Group depends to a large extent on its executive directors and certain key management figures, their ability to efficiently manage the business and the ordinary operations of the Group, as well as their knowledge of the market and the professional relationships established. The departure of one or more of these key resources, without a suitable replacement being found, as well as an inability to attract and retain new and qualified resources, could impact growth targets and have a negative effect on the Group's operating performance and financial results. To mitigate this risk, the Group has put in place HR management policies that correspond closely to the needs of the business, and incentive policies that are periodically reviewed, in light of, among other things, the general macroeconomic climate and the results achieved by the Group.

C. Operating risks

C.1 Investment operations

Investment operations conducted by the Group are subject to the risks typical of private equity activities, such as the accurate valuation of the target company and the nature of the transactions carried out. The Group has implemented a structured process of due diligence on the target companies and a careful definition of shareholders' agreements in order to conclude agreements in line with the investment strategy and the risk profile defined by the Group.

C.2 Compliance with covenants

Some investment operations were concluded using financial leverage to invest in the target companies. For financing contracts signed by investee companies, specific covenants generally backed by collateral are in place; failure to comply with these could necessitate recapitalisation operations for investee companies and lead to an increase in financial charges relating to debt refinancing. Failure to comply with covenants attached to loans could have negative effects on both the financial situation and operations of investee companies, and the value of the investment.

C.3 Divestment operations

In its Private Equity Investment business, the Group generally invests over a medium- to long-term time horizon. Over the investment management period, external situations could arise that might have a significant impact on the operating results of the investee companies and, consequently, on the value of the investment itself. Furthermore, in the case of co-investment, guiding the management of an investee company could prove problematic or infeasible, and it may ultimately prove impossible to dispose of the stakes held due to lock-up clauses. The divestment strategy could therefore be negatively affected by various factors, some of which cannot be foreseen at the time the investments are made.

To combat these risk situations, the Group has defined a process to monitor the performance of its investee companies, facilitated by its representation on the management bodies of significant investee companies, with a view to identifying any critical situations in good time.

C.4 Funding risk

The income flows expected from the Alternative Asset Management business depend on the capacity of the Group's asset management companies to stabilise/grow their assets under management. In this environment, fundraising activities could be harmed both by external and internal factors, such as bad timing in respect of fundraising activities by the asset management companies, or the departure of key managers from the companies. The Group has established appropriate risk management strategies in relation to fundraising, with a view to both involving new investors and retaining current investors.

Significant events after the reporting date for the 2016 Consolidated Financial Statements

No significant events have taken place since the end of 2016.

Further information

Publication of the 2016 Financial Statements

In accordance with the provisions of IAS 10, the Parent Company authorised the publication of these Financial Statements within the terms set by the laws in force.

Atypical or unusual transactions

In 2016, there were no atypical or unusual transactions as defined by Consob Communication 6064293 of 28 July 2006.

Significant non-recurring events and transactions

In 2016, the Group did not undertake any significant non-recurring transactions as defined by the above-mentioned Consob Communication.



**STATEMENT OF
RESPONSIBILITIES FOR THE
CONSOLIDATED FINANCIAL
STATEMENTS PURSUANT
TO ART. 154-BIS OF
LEGISLATIVE DECREE 58/98**

Statement of responsibilities for the Consolidated Financial Statements pursuant to art. 154-bis of Legislative Decree 58/98

The undersigned, Paolo Ceretti, as Chief Executive Officer, and Manolo Santilli, as the manager responsible for preparing the accounting statements of DeA Capital S.p.A., hereby certify, pursuant to art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, that based on the characteristics of the Company, the administrative and accounting procedures for preparing the Consolidated Financial Statements during 2016 were suitable and were effectively applied.

The assessment as to the suitability of the administrative and accounting procedures for preparing the Consolidated Financial Statements for the Year Ending 31 December 2016 was based on a process established by DeA Capital S.p.A. in keeping with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is the generally accepted reference framework at international level.

Note that in this regard, as described in the Notes to the Financial Statements, a significant portion of the assets are investments stated at fair value. Fair values were determined by directors based on their best estimates and judgement using the knowledge and evidence available at the time the financial statements were prepared. However, due to objective difficulties in making assessments and the absence of a liquid market, the values assigned to such assets could differ, and in some cases significantly, from those that could be obtained when the assets are sold.

The undersigned further certify that the Consolidated Financial Statements at 31 December 2016:

- correspond to the Companies' accounting records;
- have been prepared in compliance with the International Financial Reporting Standards adopted by the European Union, and the measures issued to implement art. 9 of Legislative Decree 38/2005;
- to the best of their knowledge, provide a true and fair view of the operating performance and financial position of the issuer and the group of companies included in the scope of consolidation.

The Report on Operations contains a reliable analysis of operating performance and results and of the situation of the issuer and all companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

9 March 2017

Paolo Ceretti
Chief Executive Officer

Manolo Santilli
**Manager responsible for preparing
the Company's accounts**

Information pursuant to art. 149-*duodecies* of the Consob Issuer Regulations

The table below was prepared in accordance with art. 149-*duodecies* of the Consob Issuer Regulation and reports the fees for 2016 for auditing and other services provided by the independent auditors and entities belonging to the independent auditors' network. The fees reported below do not include VAT and out-of-pocket expenses.

(EUR thousand)	Company providing the service	Beneficiary	Compensation FY 2016
Audit (*)			
	PricewaterhouseCoopers S.p.A.	DeA Capital S.p.A.	55
	PricewaterhouseCoopers S.p.A.	DeA Capital Real Estate	10
	PricewaterhouseCoopers S.p.A.	SPC	13
	PricewaterhouseCoopers S.p.A.	IDeA Capital Funds SGR	9
	PricewaterhouseCoopers S.p.A.	IDeA Opportunity Funds I	20
Other services	TLS Associazione professionale	IDeA FIMIT SGR	31
Total			138

(*) Includes limited review of reporting packages at 30 june 2016 and the signature of fiscal declarations of the companies.



**FINANCIAL STATEMENTS
FOR THE YEAR ENDING
31 DECEMBER 2016**

- **Statement of Financial Position**
- **Income Statement**
- **Statement of Comprehensive Income**
- **Cash Flow Statement**
- **Statement of Changes in Shareholders' Equity**
- **Notes to the Financial Statements**

Statement of Financial Position - Parent Company

(EUR)	Note	31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Intangible and tangible assets			
Intangible assets	1a	8,917	14,965
Tangible assets	1b	330,072	469,416
<i>Total intangible and tangible assets</i>		338,989	484,381
Investments			
Subsidiaries and joint ventures	2a	219,865,219	221,680,803
Associates	2b	20,832,375	4,202,710
Available-for-sale investments	2c	67,129,899	76,464,384
Available-for-sale funds	2d	138,080,795	141,803,236
<i>Total Investments</i>		445,908,288	444,151,133
Other non-current assets			
Deferred tax assets	3a	0	0
Tax receivables from Parent companies	3b	19,332	0
<i>Total other non-current assets</i>		19,332	0
Total non-current assets		446,266,609	444,635,514
Current assets			
Trade receivables	4a	155,843	140,239
Financial receivables	4b	2,137,953	3,467,387
Tax receivables from Parent companies	4c	1,637,446	1,263,489
VAT receivables from Parent companies	4d	0	738,953
Other tax receivables	4e	1,170,774	616,749
Other receivables	4f	506,926	497,080
Cash and cash equivalents	4g	68,621,804	88,388,171
<i>Total current assets</i>		74,230,746	95,112,068
Total current assets		74,230,746	95,112,068
Held-for-sale assets	5	11,486,685	11,486,685
TOTAL ASSETS		531,984,040	551,234,267
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	6a	261,207,146	263,923,155
Share premium reserve	6b	267,640,167	299,646,519
Legal reserve	6c	61,322,420	61,322,420
Fair Value reserve	6d	26,096,891	18,758,957
Other reserves	6e	499,421	316,409
Retained earnings (losses)	6f	(94,669,362)	(75,961,631)
Profit/(loss) for the year	6g	7,573,907	(18,899,586)
Shareholders' equity		529,670,590	549,106,243
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	3a	0	0
Provisions for employee termination benefits	7a	344,889	285,844
Total non-current liabilities		344,889	285,844
Current liabilities			
Trade payables	8a	913,870	1,200,066
Payables to staff and social security organisations	8b	686,915	371,021
Current tax payables	8c	63,926	63,926
Other tax payables	8d	263,928	198,561
Other payables	8e	39,922	8,606
Total current liabilities		1,968,561	1,842,180
Held-for-sale liabilities		0	0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		531,984,040	551,234,267

Pursuant to Consob Resolution 15519 of 27 July 2006, the impact of dealings with related parties on the Statement of Financial Position, Income Statement and Cash Flow Statement is explained in the Notes to the Financial Statements.

Income Statement - Parent Company

(EUR)	Note	Financial year 2016	Financial year 2015
Dividends from subsidiaries and joint ventures	9a	10,222,810	5,517,080
Gains from available-for-sale funds	9a	0	17,877,541
Subsidiaries and joint ventures impairment	9a	0	(53,379,363)
Impairment of funds available-for-sale	9a	(954,176)	(616,423)
Income from services	9b	1,817,467	1,767,185
Other income	9c	37,283	9,106,713
Personnel costs	10a	(2,990,227)	(2,452,009)
Service costs	10b	(4,497,309)	(4,475,056)
Depreciation, amortization and impairment	10c	(157,547)	(161,469)
Other expenses	10d	(71,819)	(67,009)
Financial income	11a	178,116	392,877
Financial expenses	11b	(164,412)	(823,027)
PROFIT/(LOSS) BEFORE TAX		3,420,186	(27,312,960)
Income tax	12a	1,445,882	855,513
Deferred tax	12b	2,707,839	7,557,861
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		7,573,907	(18,899,586)
Profit (Loss) from discontinued operations/held-for-sale assets		0	0
PROFIT/(LOSS) FOR THE YEAR		7,573,907	(18,899,586)
Earnings per share, basic (€)	13	0.03	(0.07)
Earnings per share, diluted (€)	13	0.03	(0.07)

Pursuant to Consob Resolution 15519 of 27 July 2006, the impact of dealings with related parties on the Statement of Financial Position, Income Statement and Cash Flow Statement is explained in the Notes to the Financial Statements.

Statement of Comprehensive Income (Statement of Performance – IAS 1) – Parent Company

Comprehensive income or the Statement of Performance (IAS 1), in which performance for the year is reported, including results posted directly to shareholders' equity, reflects a net positive balance of approximately EUR 14,872 thousand compared with a net negative balance of around EUR 12,952 thousand in 2015. This comprises:

- a net profit of EUR 7,574 thousand recorded on the Income Statement;
- profits posted directly to shareholders' equity totalling EUR 7,298 thousand, due to the increase in the fair value of IDeA I FoF and ICF II, net of the decrease in the value of Migros.

(in EUR)	Financial year 2016	Financial year 2015
Profit/(loss) for the year (A)	7,573,907	(18,899,586)
Components that may be subsequently restated under profit/(loss) for the year	7,337,934	5,851,000
<i>Gains/(losses) from recalculation of available-for-sale financial assets</i>	<i>7,337,934</i>	<i>5,851,000</i>
Components that will not be subsequently restated under profit/(loss) for the year	(39,970)	96,467
<i>Actuarial gains/(losses) to be revalued in defined benefit plans</i>	<i>(39,970)</i>	<i>96,467</i>
Total other profit/(loss), net of tax effect (B)	7,297,964	5,947,467
Total comprehensive profit/(loss) for the year (A)+(B)	14,871,871	(12,952,119)

Cash flow statement - Parent Company - Direct method

(EUR thousand)	Financial year 2016	Financial year 2015
CASH FLOW from operating activities		
Investments in funds and shareholdings	(25,307)	(19,967)
Proceeds from the sale of investments	0	107,670
Capital reimbursements from funds and shareholdings	32,627	55,199
Interest received	127	141
Interest paid	(51)	(499)
Income from distribution from investments	0	1,423
Exchange gains (losses)	1	16
Taxes paid	(6)	(438)
Taxes refunded	1,194	3,111
Dividends received	10,223	5,517
Revenues for services	13	54
Intragroup revenues for services	2,437	2,104
Intragroup operating expenses	(971)	(942)
Operating expenses	(6,405)	(8,583)
Net cash flow from operations	13,882	144,806
CASH FLOW from investment activities		
Acquisition of property, plant and equipment	(2)	(71)
Acquisition of intangible assets	(1)	(26)
Acquisition of property, plant and equipment ICO	(3)	(17)
Sale of property, plant and equipment ICO	0	354
Net cash flow from investments	(6)	240
CASH FLOW from financial activities		
Share capital issued: stock option plan	352	0
Purchase of own shares	(3,776)	(13,030)
Dividends paid	(31,555)	(79,849)
Short-term intragroup loans	1,337	(1,741)
Net cash flow from financial activities	(33,642)	(94,620)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(19,766)	50,426
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	88,388	37,962
Initial cash and cash equivalents of companies merged in the period	0	0
Cash and cash equivalents of assets at beginning of period	88,388	37,962
EXCHANGE EFFECT OF CASH AND CASH EQUIVALENTS IN FOREIGN CURRENCY	0	0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	68,622	88,388
Held-for-sale assets	0	0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	68,622	88,388

Pursuant to Consob Resolution 15519 of 27 July 2006, the impact of dealings with related parties on the Statement of Financial Position, Income Statement and Cash Flow Statement is explained in the Notes to the Financial Statements.

Statement of changes in shareholders' equity of the Parent Company DeA Capital S.p.A.

(EUR thousand)	Share capital	Share premium reserve	Legal reserve	Fair value reserves	Stock options reserve
Total at 31.12.2014	271,626	384,827	61,322	12,908	1,033
Allocation of profit	0	0	0	0	0
Cost of stock options	0	0	0	0	487
Stock Options Plan 2004 e 2013 reversal	0	0	0	0	(770)
Purchase of own shares	(7,703)	(5,326)	0	0	0
Dividend paid 2015	0	(79,854)	0	0	0
Total comprehensive profit/(loss) for 2015	0	0	0	5,851	0
Total at 31.12.2015	263,923	299,647	61,322	18,759	750
Allocation of profit	0	0	0	0	0
Exercise stock options e performance share	463	148	0	0	(387)
Cost of stock options	0	0	0	0	674
Stock Options Plan 2004 e 2013 reversal	0	0	0	0	(64)
Purchase of own shares	(3,179)	(598)	0	0	0
Dividend paid 2015	0	(31,557)	0	0	0
Total comprehensive profit/(loss) for 2015	0	0	0	7,338	0
Total at 31.12.2016	261,207	267,640	61,322	26,097	973

Pursuant to Consob Resolution 15519 of 27 July 2006, the impact of dealings with related parties on the Statement of Financial Position, Income Statement and Cash Flow Statement is explained in the Notes to the Financial Statements.

Reserve for sale of option rights	Reserve for the IDeA AI merger	Reserve for actuarial gains / losses	Profit/(loss) carried forward	Profit/ (loss)	Total
413	(831)	(111)	(71,451)	(4,519)	655,217
0	0	0	(4,519)	4,519	0
0	0	0	0	0	487
0	0	0	9	0	(761)
0	0	0	0	0	(13,029)
0	0	0	0	0	(79,854)
0	0	95	0	(18,900)	(12,954)
413	(831)	(16)	(75,961)	(18,900)	549,106
0	0	0	(18,900)	18,900	0
0	0	0	128	0	352
0	0	0	0	0	674
0	0	0	64	0	0
0	0	0	0	0	(3,777)
0	0	0	0	0	(31,557)
0	0	(39)	0	7,574	14,873
413	(831)	(55)	(94,669)	7,574	529,671



**NOTES TO THE
FINANCIAL STATEMENTS
FINANCIAL STATEMENTS
FOR THE YEAR ENDING
31 DECEMBER 2016**

Notes to the Financial Statements Financial Statements for the Year Ending 31 December 2016

A. Structure and content of the Financial Statements

DeA Capital S.p.A. (hereinafter also the Company or the Parent Company or DeA Capital) is a company limited by shares with its registered office in Via Brera 21, Milan.

Following the merger by incorporation of the Luxembourg company DeA Capital Investments S.A. in 2014, a Luxembourg branch was opened as a secondary office. Subsequently, on 1 September 2016, a secondary office was opened at via Mercadante 18 in Rome.

The financial statements were prepared in accordance with the general principles of IAS 1, specifically:

- the matching principle: the effect of events and transactions is recorded when they occur, and not when payment is made or received;
- the going concern principle: the financial statements are prepared under the assumption that business operations will continue for the foreseeable future. In this regard, the directors have evaluated this assumption with particular scrutiny in light of the current economic and financial crisis. As indicated in the section "Uncertainties and the management of financial risks" in the Report on Operations, the directors believe that the risks and uncertainties described therein are not critical in nature, confirming the financial solidity of the Parent Company, DeA Capital S.p.A.;
- the materiality principle: when reporting operating events in accounting entries, preference is given to the principle of economic substance over form;
- the accounting comparability principle: annual financial statements must show comparative information for the previous period.

The DeA Capital Financial Statements consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income (Statement of Performance - IAS 1), the Cash Flow Statement, the Statement of Changes in Shareholders' Equity and these Notes to the Financial Statements.

The Statement of Financial Position provides a breakdown of current and non-current assets and liabilities with separate reporting for those resulting from discontinued or held-for-sale operations.

In the Income Statement, the Company has adopted the "nature of expense" method, whereby costs and revenues are classified based on their nature.

The Cash Flow Statement is prepared using the "direct method".

Unless otherwise indicated, all tables and figures included in these Notes to the Financial Statements are reported in EUR thousand. As Parent Company, DeA Capital S.p.A. has also prepared the Consolidated Financial Statements for the DeA Capital Group at 31 December 2016.

In addition to the figures at 31 December 2016, the financial statement formats used also provide comparable figures for 31 December 2015.

The publication of the draft Financial Statements for the Year Ending 31 December 2016 was authorised by resolution of the Board of Directors dated 9 March 2017.

Statement of compliance with accounting standards

The Financial Statements for the Year Ending 31 December 2016 (2016 Financial Statements) have been prepared in accordance with the International Accounting Standards adopted by the European Union and approved by the date the financial statements were prepared (International Accounting Standards, or individually IAS/IFRS, or collectively IFRS (International Financial Reporting Standards)). IFRS also include all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC), and approved by the European Union.

The Financial Statements were prepared with a focus on clarity, and provide a true and fair view of the balance sheet position, financial situation, financial results and cash flows for the period.

Accounting standards, amendments and interpretations applied as of 1 January 2016

The IASB-approved international accounting standards and interpretations authorised for adoption in Europe that were applied for the first time from 1 January 2016 are detailed below.

The Company did not apply any IFRS in advance.

Amendments to IAS 1: Disclosure Initiative

On 18 December 2014, the IASB issued an amendment – “Disclosure Initiative” – to IAS 1. The most important issues dealt with in these amendments were:

- clarification that the items on the Statement of Financial Position, the Income Statement and the Statement of Comprehensive Income can be disaggregated or aggregated depending on their materiality;
- clarification that the share of OCI (Other comprehensive income) of an associate company or joint venture is shown as a single item, regardless of its subsequent recycling in the income statement.

Amendments to IAS 16 (Property, plant and equipment) and to IAS 38 (Intangible assets)

On 12 May 2014, the IASB issued an amendment to IAS 16 (Property, plant and equipment) and to IAS 38 (Intangible assets). The IASB clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally not presumed to be an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

Amendments to IAS 27: (Equity Method in Separate Financial Statements)

On 12 August 2014, the IASB issued an amendment – “Equity Method in Separate Financial Statements” – to IAS 27. The objective of the amendment to IAS 27 is to allow parent companies to use the equity method to account for investments in associates and joint ventures in the Separate Financial Statements.

Amendments to IFRS 11 (Joint arrangements)

On 6 May 2014, the IASB issued some amendments to IFRS 11 (Joint arrangements: accounting for acquisitions of interests in joint operations) to clarify the accounting requirements for acquisitions in joint operations that constitute a business.

Amendments to IFRS 10, IFRS 12 and IAS 28 (Investment entities – applying the consolidation exception)

On 18 December 2014, the IASB issued the amendment – “Investment Entities: Applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)” with the objective of clarifying issues relating to the consolidation of an investment entity. More specifically, the amendment to IFRS 10 specifies that a parent company (an intermediate parent, i.e. not an investment entity) controlled, in turn, by an investment entity, is not obliged to prepare consolidated financial statements, even if the investment entity measures subsidiaries at fair value, in accordance with IFRS 10. Prior to this amendment, under IFRS 10, an intermediate parent entity was not required to present consolidated financial statements provided that its parent company drafted consolidated financial statements that comply with IFRS. Following this amendment, the exemption from preparing consolidated financial statements has been extended to intermediate parent companies, controlled, in turn, by an investment entity, even if the latter values its subsidiaries at fair value rather than consolidating them.

Improvements to IFRS – 2012-2014 cycle

On 25 September 2014, the IASB issued a set of amendments to IFRS ("Annual Improvements to IFRS – 2012-2014 cycle"). The most important issues dealt with in these amendments were:

- the amendment that introduces some specific guidance to IFRS 5 for cases in which an entity reclassifies an asset from the held-for-sale category to the held-for-distribution category (or vice versa), or when the requirements for classifying an asset as held-for-distribution no longer apply. The amendments specify that these reclassifications should not be considered as a change to a sales plan or to a distribution plan and that the criteria for classification and valuation remain valid;
- as regards IFRS 7, the amendment covers the introduction of further guidance to clarify whether a servicing contract constitutes a continuing involvement in a transferred asset for the purposes of transfer disclosure requirements;
- the amendment introduced in IAS 19 clarifying that the high quality corporate bonds used to determine the discount rate for post-employment benefits should be issued in the same currency in which the benefits are paid;
- the amendments to IAS 34 to clarify the requirements if the requested information is presented in the interim financial report but not in the interim financial statements.

Future accounting standards, amendments and interpretations

*Accounting standards, amendments and interpretations that are not yet applicable and have not been adopted in advance by the Company, but **were approved** for adoption in the European Union as of 28 February 2017*

The International Accounting Standards, together with the interpretations and changes to existing IASB-approved accounting standards and interpretations that were ratified for adoption in the European Union on 28 February 2017, are as follows:

IFRS 9 (Financial instruments)

On 24 July 2014, the IASB published IFRS 9 (Financial Instruments). The standard, which introduces changes to both the recognition and the measurement of financial assets and liabilities, and hedge accounting, will fully replace IAS 39 (Financial instruments: recognition and measurement). Specifically, the standard contains a model for valuing financial instruments based on three categories: amortised cost, fair value and fair value with changes recognised in the Statement of Comprehensive Income. It also includes a new impairment model that is different from the one stipulated in IAS 39, and is based mainly on the concept of "expected losses".

The standard will come into force on 1 January 2018, but can be applied in advance.

IFRS 15 (Revenue from contracts with customers)

On 28 May 2014, the IASB issued IFRS 15 (Revenue from contracts with customers), subsequently amended on 11 September 2015. The standard replaces IAS 18 (Revenue), IAS 11 (Construction contracts), and the interpretations SIC 31, IFRIC 13 and IFRIC 15. It requires revenues to be recognised at the moment of transfer of goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The new model for reporting revenues defines a five-step model for recognising revenues from contracts with customers:

- identifying contracts with the customer;
- identifying performance obligations, i.e. contractual commitments to transfer goods or services to a customer;
- determining the transaction price;
- allocating transaction prices to performance obligations;
- reporting the revenues when the relevant performance obligation has been fulfilled.

The standard is applicable for annual periods starting after 1 January 2018, and must be fully (full retrospective method) or partially (cumulative catch-up method) applied retrospectively.

We do not anticipate that any adoption of the standards and interpretations noted above will have a material impact on the valuation of the Company's assets, liabilities, costs and revenues.

*Accounting principles, amendments and interpretations that are not yet applicable, have not been adopted in advance by the Company and are **not yet approved** for adoption in the European Union as of 28 February 2017*

The International Accounting Standards, interpretations and amendments to existing IASB-approved accounting standards and interpretations that had not been ratified for adoption in the European Union as of 28 February 2017 are as follows:

Amendments to IAS 7

On 29 January 2016, the IASB issued some amendments to IAS 7 (Statement of cash flows: Disclosure Initiative). The amendments, which are awaiting ratification by the European Union, will enter into force on 1 January 2017.

Amendments to IAS 12

On 19 January 2016, the IASB issued some amendments to IAS 12 (Income taxes). The document aims to clarify how to account for deferred tax assets relating to debt instruments measured at fair value. The amendments, which are awaiting ratification by the European Union, will enter into force on 1 January 2017.

Amendment to IAS 40

On 8 December 2016, the IASB issued some amendments to IAS 40 (Investment Property: Transfers of Investment Property), clarifying the changes in use that result in an asset that is not an investment property being classified as such and vice versa, specifying that a change in use must have occurred. To decide whether a change of use has occurred, an assessment of whether the investment property satisfies the definition must be made. This change must be supported by evidence, as the IASB has confirmed that a change in intention, in isolation, is not enough to support a transfer. The amendments, which are awaiting ratification by the European Union, will enter into force on 1 January 2018.

IFRIC 22

On 8 December 2016, the IASB published the new IFRIC 22 (Foreign Currency Transactions and Advance Consideration), which was issued to clarify which exchange rate to use in reporting transactions when payment is made or received in advance.

The new interpretation, which is awaiting ratification by the European Commission, will come into force on 1 January 2018.

Amendments to IFRS 2

On 20 June 2016, the IASB published amendments to IFRS 2 (Classification and Measurement of Share-based Payment Transactions) intended to clarify the accounting treatment for some types of share-based payment transactions. The amendments, which are awaiting ratification by the European Commission, will come into force on 1 January 2018, but can be applied in advance.

IFRS 14 (Regulatory deferral accounts)

On 30 January 2014, the IASB published IFRS 14 (Regulatory deferral accounts), which allows only those adopting the IFRS for the first time to continue to report amounts relating to rate regulation according to the previously adopted accounting standards. In order to improve comparability with companies that already apply the IFRS and that do not report these amounts, the standard requires the effect of rate regulation to be shown separately from other items. The standard is awaiting ratification by the European Commission, which has decided not to continue with its endorsement process until the IASB has published the final version of the standard.

Clarifications on IFRS 15 (Revenue from contracts with customers)

On 12 April 2016, the IASB published amendments to IFRS 15 (Revenue from Contracts with Customers, Clarifications to IFRS 15), clarifying some of the provisions and providing further simplifications, in order to reduce the costs and complexity for companies applying the new standard for the first time. The amendments, which are awaiting ratification by the European Union, will enter into force on 1 January 2018.

IFRS 16 – Leases

On 13 January 2016, the IASB issued IFRS 16 (Leases), which replaces the accounting rules contained in IAS 17. Under the new accounting standard, all lease agreements must be shown as assets or liabilities, whether they are financial leases or operating leases. The standard, which is awaiting ratification by the European Union, will enter into force on 1 January 2019. Companies adopting IFRS 15 in advance may also apply this standard in advance.

Amendments to IFRS 10 and IAS 28 (Sale or contribution of assets between an investor and its associate or joint venture)

On 11 September 2014, the IASB published the document "Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)".

The objective of the amendments is to clarify the accounting treatment, both in the event of a parent company losing control of a subsidiary (governed by IFRS 10) and in the case of downstream transactions (governed by IAS 28), according to whether

or not the object of the transaction is a business, as defined by IFRS 3. If the subject of the transaction is a business, the profit must be fully recognised in both cases, whereas if the subject of the transaction is not a business, only the profit relating to minority interests must be recognised.

On 10 August 2015, the IASB published the exposure draft, "*Effective Date of Amendments to IFRS 10 and IAS 28*", in which it proposed to defer the entry into force of the amendments until such time as any changes that might arise from the research project into the equity method had been finalised. Any proposed new date for its entry into force will be the subject of public consultation.

Improvements to IFRS – 2014-2016 cycle

On 8 December 2016, the IASB issued a set of IFRS amendments (Annual Improvements to IFRS – 2014-2016 cycle) which modify three standards: IFRS 1, IFRS 12 and IAS 28. The most important issues dealt with in these amendments were:

- termination of the short-term exemptions for first-time adopters (IFRS 1);
- clarification of the scope of the disclosure specified in IFRS 12 for held-for-sale assets;
- measurement of the investments of an associate or joint venture at fair value (IAS 28).

The Company will adopt these new standards, amendments and interpretations on the basis of the stipulated date of application, and will assess their potential impact when they have been ratified by the European Union. At present, we do not anticipate that any adoption of the standards and interpretations noted above will have a material impact on the valuation of the Company's assets, liabilities, costs and revenues.

B. Key accounting principles and valuation criteria

The accounting principles and valuation criteria adopted for the 2016 Annual Financial Statements of DeA Capital are the same as those used in drawing up the Consolidated Financial Statements, with the exception of specific principles and criteria relating to the Consolidated Financial Statements and methods for valuing subsidiaries and joint ventures, as specified below. Investments in subsidiaries and joint ventures are classified as available-for-sale assets and are measured at fair value with appropriate reserves of shareholders' equity as a balancing entry.

Current and non-current assets and liabilities

An asset is considered current if it meets at least one of the following conditions:

- it is expected to be converted during a company's normal operating cycle. The "company's operating cycle" means the period from the acquisition of an asset to its conversion to cash and cash equivalents. When the company's operating cycle cannot be clearly identified, its duration is assumed to be twelve months.
- it is held mainly for trading purposes;
- its conversion is expected to occur within 12 months of the end of the financial year;
- it consists of cash and cash equivalents which have no restrictions that would limit its use in the twelve months after the end of the financial year.

All other assets are carefully analysed to separate the "current" portion from the "non-current" portion.

Furthermore, deferred tax assets are recorded under non-current components.

A liability is considered current if it meets at least one of the following conditions:

- it is expected to be settled during the company's normal operating cycle;
- it is held mainly for trading purposes;
- its settlement is expected to occur within 12 months of the end of the financial year;
- the company does not have an unconditional right to defer payment of the liability for at least 12 months after the end of the financial year.

All other liabilities are carefully analysed to separate the "current" portion from the "non-current" portion.

Furthermore, deferred tax liabilities are recorded under non-current components.

Intangible assets

Intangible assets are those assets with no identifiable physical form that are controlled by the Company and produce future economic benefits. They are recorded under assets when it is likely that their use will generate future economic benefits and when their cost can be reliably determined. The above assets are recorded at purchase cost, or at production cost if they are generated internally.

The purchase cost is represented by the fair value of the price paid to acquire the asset and all other direct costs incurred in preparing the asset for use.

The carrying value of intangible assets is maintained in the Financial Statements to the extent that there is evidence that this value can be recovered through use, or if it is likely that these assets will generate future economic benefits.

The useful life of intangible assets is assessed as finite or indefinite.

Intangible assets with an indefinite useful life are tested to check that their value is still appropriate whenever there are indications of possible impairment, as required by IAS 36 (Impairment of assets). Intangible assets with an indefinite useful life are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to check that the underlying conditions for the classification continue to apply.

Intangible assets with a finite useful life are amortised on a straight-line basis over their expected useful life. The useful life of these intangible assets is tested to check that their value is still appropriate whenever there are indications of possible impairment.

Impairment

Impairment always occurs when the carrying value of an asset is greater than its recoverable value. On each reporting date, a company determines whether there are any indications that an asset may be impaired. If such indications exist, the recoverable value of the asset is estimated (impairment test) and any write-down is recorded. The recoverable value of an asset is the higher of its fair value less selling costs, and its value in use.

IAS 36 provides instructions on determining fair value less the costs of selling an asset, as follows:

- if there is a binding sales agreement, the asset's fair value is the negotiated price;
- if there is no agreement, but the asset is marketed in an active market, the fair value is the current bid price (thus, the exact price on the valuation date and not the average price);
- if no prices can be found in active markets, fair value must be determined based on valuation methods that incorporate the best information available including any recent transactions involving the same asset, after verifying that there were no significant changes in the economic environment between the date of the transactions under consideration and the valuation date.

IAS 36 defines value in use as the present value of future cash flows that an asset is projected to produce. The estimate of the value in use must include the items listed below:

- an estimate of future cash flows that the company expects to derive from the asset;
- expectations of potential changes in value and the timing of such cash flows;
- the time value of money;
- other factors such as the volatility of the asset's value and the absence of a liquid market for it.

For more information on determining value in use, please see Appendix A of IAS 36. However, the main elements for accurately estimating the value in use are: an appropriate calculation of projected cash flows (for which the investee company's business plan is essential) and their timing, as well as the application of the right discount rate that accounts for both the present value of money and the specific risk factors for the asset to be valued.

When calculating the value it is important to:

- base cash flow projections on reasonable and sustainable assumptions that provide the best estimate of the economic conditions that are likely to exist over the remaining useful life of the asset;
- base cash flow projections on the most recent budget/plan approved by the investee company, which, however, must exclude any future inflows or outflows of cash that are expected to come from the future restructuring, improvement or optimisation of operating performance. Projections based on these budgets/plans must cover a maximum period of five years, unless a longer period of time can be justified.

- estimate higher cash flow projections for the period covered by the most recent budgets/plans by extrapolating projections based on the budgets/plans taken into consideration, and using a stable or declining growth rate for subsequent years unless a rising rate can be justified. This growth rate must not exceed the average long-term growth rate for production in the country or countries in which the investee company operates or for markets in which the asset used is placed, unless a higher rate can be justified.

The assumptions used to determine cash flow projections must be reasonable, and based partly on an analysis of the factors that generated differences between projections of past and current cash flows. In addition, the assumptions used to determine current cash flow projections must be checked to ensure that they are consistent with actual past results, unless in the meantime changes have occurred in the investee company's business model or in the economic environment in which it operates that justify changes compared with the past.

Tangible assets

Tangible assets are acquired at purchase price or production cost adjusted for accumulated depreciation and any impairment. Their cost includes ancillary costs and direct and indirect costs incurred at the time of purchase necessary to make the asset usable. The purchase cost is represented by the fair value of the price paid to acquire the asset and all other direct costs incurred in preparing the asset for use. Tangible assets are depreciated on a straight-line basis over their remaining useful life, using the depreciation rates indicated in the notes on the item relating to similar groups of assets. If factors come to light that lead the company to believe that it may be difficult to recover the net carrying value, an impairment test is performed. If the reasons for the impairment cease to exist, the carrying value of the asset is increased to its recoverable amount.

Financial assets

Based on the classification of financial assets required by IAS 39, the Company classified its financial assets at the time of the transition to International Accounting Standards, and subsequently when individual financial assets were acquired.

The loans and receivables category includes non-derivative financial instruments that are not listed on an active market, mainly relating to customer receivables, which have fixed or determinable expected payments. These are included in the current portion except for those due after one year from the balance sheet date, which are classified under the non-current portion. These assets are measured at fair value on initial recognition. Subsequently they are valued at amortised cost by applying the effective interest rate method. Where there is objective evidence indicating impairment, the asset concerned is written down to a carrying value equal to the discounted value of its future cash flows.

Interests in subsidiaries and associates and investments in funds, which constitute the main, predominant area of the Parent Company's operations, are classified under available-for-sale assets, which are recorded at fair value with a balancing item in shareholders' equity.

IFRS 13.9 provides a "new" definition of fair value. It represents "the price that should be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

The concept of fair value is characterised by the following features:

1. it is fundamentally related to the free market and the values reflected therein;
2. it is calculated using the exit price as the relevant price;
3. it relates to the date on which the measurement is made;
4. it relates to an "orderly" transaction, i.e. it is not a forced transaction, such as a compulsory administrative liquidation or a sale at below cost.

Assets and liabilities measured at fair value may be:

- stand-alone assets or liabilities (financial or non-financial instruments);
- a group of assets, a group of liabilities or a group of assets and liabilities.

In the case of assets not listed on active markets, such as the Company's direct investments in companies and its investments in venture capital funds, the fair value reported in the Financial Statements is determined by the directors based on their best estimate and judgement, using the knowledge and evidence available when the Financial Statements are prepared.

In these cases, it is provided that:

- if there are recent transactions related to the same financial instrument, these may be used to determine fair value after verifying that there have been no significant changes in the economic environment between the date of the transactions being considered and the valuation date;
- if there are transactions involving similar financial instruments, these may be used to determine fair value after verifying the similarity (as a function of the type of business, size, geographical market, etc.) between the instrument for which transactions have been found and the instrument to be valued;
- if no prices can be found in active markets, fair value must be determined using valuation models that account for all factors that market participants would consider in setting a price.

However, due to objective difficulties in making assessments and the lack of a liquid market, the values assigned to such assets could differ, and in some cases significantly, from those that could be obtained when the assets are sold.

Direct investments in companies that are neither subsidiaries nor associates and in venture capital funds are classified as available-for-sale financial assets, which are initially reported at fair value on the date of the original posting. These assets are measured at fair value when all interim and full-year financial statements are prepared.

Gains and losses from fair value measurement are posted to a special shareholders' equity reserve called the "fair value reserve" until the investment is sold or otherwise disposed of, or until impairment occurs, in which cases the gain or loss previously recorded in the fair value reserve is recorded in the income statement for the period.

At each reporting date, a test is performed as to the existence of objective evidence of impairment following one or more events that have occurred after the initial recording of the asset, and that this event (or events) has an impact on the estimated cash flow from the financial asset.

For equity instruments, a significant or prolonged reduction in fair value below their cost is considered to be objective evidence of impairment.

Although International Accounting Standards introduced an important reference to quantitative parameters that must be adhered to, they do not govern quantitative limits to determine when a loss is significant or prolonged.

DeA Capital S.p.A. has adopted an accounting policy that defines these parameters. In particular, "significant" means there has been an objective reduction in value when fair value is more than 35% below its historical cost. In this case, impairment is recorded in the income statement without further analysis.

The duration of the reduction in value is deemed to be prolonged when the reduction of fair value below historical cost continues for a period of over 24 months. After exceeding 24 months, impairment is recorded in the income statement without further analysis.

Trade receivables

If there is objective evidence that a trade receivable has suffered impairment, it must be adjusted down and the loss posted to the income statement; the write-down is allocated to the item "impairment provisions", as a direct contra item to the asset item.

The amount of the write-down must take into account recoverable cash flows, the related collection dates, future recovery charges and expenses, and the discount rate to be applied.

Cash and cash equivalents

Cash and cash equivalents include cash at hand, sight deposits and short-term, highly liquid financial investments that are readily convertible into cash and subject to a negligible risk of price variation. They are reported at fair value.

Held-for-sale assets

A non-current asset or disposal group is classified as held for sale if its carrying value will mainly be recovered from its sale or disposal instead of its ongoing use. In order for this to occur, the asset or disposal group must be available for immediate sale in its current condition, and the sale must be highly likely. Assets meeting the criteria to be classified as held-for-sale assets are valued at the lower of carrying value and sales value adjusted for any related costs.

Treasury shares

Treasury shares are not considered financial assets of the company that issued the shares. The purchase and sales value of treasury shares is recorded as a change to shareholders' equity. No gain or loss is reported in the income statement for the sale, purchase, issue or cancellation of treasury shares.

Fair value reserve

The fair value reserve incorporates fair value changes to entries measured at fair value with a balancing entry in shareholders' equity.

Warrants

Warrants issued by the company, which do not meet the requirements either for being classified as share-based payments to employees pursuant to IFRS 2 or as financial liabilities, are treated as company equity instruments.

Financial liabilities

Financial liabilities comprise loans, trade payables and other payment obligations. These are valued at fair value on initial recognition and subsequently at amortised cost, applying the effective interest rate method. Where there is a change in the expected future cash flows and these can be reliably estimated, the value of the payables is recalculated to reflect this change on the basis of the present value of the new expected future cash flows and the internal rate of return originally determined.

Provisions for risks and future liabilities

If necessary, the Company records provisions for risks and future liabilities when:

- it has a legal or implicit obligation to third parties resulting from a past event;
- it is likely that it will be necessary to use Company resources to fulfil the obligation;
- a reliable estimate can be made of the amount of the obligation.

Provisions are recorded based on the projected value and discounted as necessary to present value if the time value is considerable. Changes in estimates are recognised in the income statement of the period in which the change occurs.

Revenues and income

Service revenues are recognised at the time the services are rendered based on the progress of the activity on the reporting date.

Income from equity investments for dividends or for their full or partial sale is reported when the right to receive payment is determined, with a balancing item (receivable) at the time of the sale or decision to distribute dividends by the entity or appropriate body.

Interest is reported using the effective interest rate method.

Employee benefits

Short-term employee benefits, whether in cash or in kind (meal vouchers) are reported in the income statement in the period when work is performed.

Employee benefits related to participation in a defined benefit plan are determined by an independent actuary using the projected unit credit method.

On 16 June 2011, the IASB published a revised version of IAS 19 (Employee Benefits). Among other things, this document modified the accounting rules of defined benefit plans ("Post-employment benefits: defined benefit plans") and termination benefits.

Specifically:

- For "Post-employment benefits: defined benefit plans", the option to use the "corridor approach" to account for actuarial gains and losses was eliminated. These must now be recognised in the statement of performance. The resulting remeasurement effect cannot be recycled through P&L but should be posted to a specific shareholders' equity reserve. No other option is available.

Actuarial gains and losses include profits and losses of a technical nature due to changes in the actuarial assumptions adopted and/or the fact that experience may differ from the actuarial assumptions adopted (e.g. staff turnover, early retirement, mortality, change in the discount rate).

- Past service costs and the effects generated by curtailments and/or plan settlement (caused, for example, by a significant reduction in the number of employees covered by the plan, or changes to the plan's terms and conditions) are recorded immediately in the income statement under personnel costs.
- The interest cost (resulting from the discounting to present value process) and the expected returns on assets servicing the plan are replaced by a net interest figure reported in the income statement under financial charges and calculated by applying a discount rate (based on the high-quality corporate bonds rate at the end of the year) to the balance of the existing plan at the beginning of the year.

Employee benefits in respect of participation in a defined contribution plan only relate to those plans under mandatory government administration. The payment of contributions fulfils the company's obligation to its employees. Thus, contributions are costs in the period in which they are due.

Share-based payments

In the Company, benefits are provided in the form of stock options or share-based payments. This applies to all employees eligible for stock option plans and performance shares.

The cost of these transactions is determined with reference to the fair value of the options on the allocation date and is reported over the period from that date until the expiry date with a balancing entry in shareholders' equity.

Estimating fair value requires determining the most appropriate valuation model for granting equity instruments, which therefore depends on the terms and conditions under which these instruments are granted. This also requires the identification of data to input into the valuation model including assumptions on the expected life of the options, volatility and the share return.

The cost of stock options for the Company's directors and employees is determined in the same way.

Income tax

Current income taxes are determined and reported on the basis of a reasonable forecast of tax liability by applying the tax rates in force to taxable income, taking into account any exemptions and tax credits to which a company may be entitled.

Deferred tax liabilities are allocated for all temporary differences between the carrying value of the assets and liabilities and the corresponding amount for tax purposes.

Deferred tax assets are recorded for all deductible temporary differences and for tax assets and liabilities carried forward to the extent that it is likely there will be sufficient future taxable profit against which the deductible temporary differences and the tax assets and liabilities carried forward can be used.

Deferred taxes are classified under non-current assets and liabilities and are determined using tax rates expected to be applicable in the years when the temporary differences will be realized or will expire.

The carrying values of deferred tax assets are analysed periodically and reduced to the extent that sufficient taxable income will not be generated against which the benefits resulting from such deferred assets can be used.

Earnings per share

In accordance with IAS 33, basic earnings per share is determined as the ratio of net profit for the period attributable to holders of parent company shares to the weighted average number of shares outstanding during the period. Treasury shares in the portfolio are, of course, not included in this calculation.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding for all potential ordinary shares resulting from the potential exercise of allocated stock options, which may therefore result in a diluting effect.

C. Changes in accounting principles and the treatment of errors

Accounting principles are changed from one year to another only if the change is dictated by an accounting standard or if it contributes to providing more reliable information or more complete reporting of the impact of transactions on the company's balance sheet, income statement and cash flow.

Changes in accounting principles are applied retrospectively with the impact reflected in shareholders' equity in the first of the periods presented. Comparative reporting is adapted accordingly. The prospective approach is used only when it is not practical to restate the comparative information. The application of a new or amended accounting standard is recorded as required by the standard itself. If the standard does not specify transition methods, the change is reflected retrospectively, or if impractical, prospectively.

If there are significant errors, the same treatment dictated for changes in accounting principles is used. If there are minor errors, corrections are posted to the income statement in the period when the error is discovered.

The application of new standards and amendments, pursuant to existing legislative provisions, did not have any specific and/or cumulative effects either on the calculation of shareholders' equity and the net result, or on earnings per share.

D. Use of estimates and assumptions in preparing the financial statements

The Company's management must make assessments, estimates and assumptions that affect the application of accounting standards and the amounts of assets, liabilities, costs and revenues recorded in the financial statements.

These estimates and assumptions are reviewed regularly. Any changes resulting from revisions to accounting estimates are recorded in the period when the revision is made if such a revision only affects that period. If the revision affects current and future periods, the change is recorded in the period in which the revision is made and in related future periods.

Financial statement balances are reported and valued using the valuation criteria described above. At times, the application of these criteria involves the use of estimates that may have a significant impact on amounts reported in the financial statements. Estimates and related assumptions are based on past experience and factors deemed reasonable in the case concerned; these are used to estimate the carrying value of assets and liabilities that cannot be easily obtained from other sources. However, since these are estimates, the results obtained should not necessarily be considered definitive.

On the understanding that the use of reasonable estimates is an essential part of preparing financial statements, the items where the use of estimates is most prevalent are:

- valuation of financial assets not listed in active markets;
- valuation of financial assets listed in active markets but considered illiquid on the reference market;
- valuation of equity investments.

The process described above is made particularly complicated by the unusual levels of volatility in the current macroeconomic and market environment, which affect financial indicators that have a bearing on the above valuations.

An estimate may be adjusted as a result of changes in the circumstances on which it was based, or as a result of new information. Any change in the estimate is applied prospectively and has an impact on the income statement in the period in which the change occurred and potentially on income statements in future periods.

As highlighted earlier, a significant proportion of the assets shown in the annual financial statements of DeA Capital S.p.A. is represented by unlisted financial investments. These investments are valued at their fair value, calculated by directors based on their best estimate and judgement using the knowledge and evidence available at the time the financial statements are prepared. However, due to objective difficulties in making assessments and the lack of a liquid market, the values assigned to such assets could differ, perhaps and in some cases significantly, from those that could be obtained when the assets are sold.

Information on the fair value hierarchy

IFRS 13 stipulates that financial instruments reported at fair value should be classified based on a hierarchy that reflects the importance and quality of the inputs used in calculating fair value. Three levels have been determined:

- **Level 1:** includes prices quoted on active markets for assets or liabilities identical to those being valued;
- **Level 2:** includes observable inputs other than those included in level 1, for example:
 - prices quoted on active markets for similar assets and liabilities;
 - quoted prices on inactive markets for identical assets and liabilities;
 - interest rate curves, implicit volatility, credit spreads;
- **Level 3:** unobservable data. These input data may be used if no observable input data are available. IFRS 13 specifies that unobservable input data used to measure fair value must reflect the assumptions used by market participants when fixing the price for the assets or liabilities being valued.

The table below shows assets valued at fair value by hierarchical level at 31 December 2016.

(EUR million)	Level 1	Level 2	Level 3	Total
Investments in Subsidiaries	0	44.2	175.7	219.9
Investments in Associates	0	20.8	0.0	20.8
Other investments - Available-for-sale	0	66.9	0.2	67.1
Available-for-sale funds	0	138.1	0.0	138.1
Total	0	270.0	175.9	445.9

For level 3, a reconciliation of the opening and closing balances is shown in the table below. Income and expenses posted to the Income Statement or shareholders' equity, and purchases and sales made during 2016, are identified separately.

(EUR thousand)	Balance at 1.1.2016	Increases	Decreases	Restatements	Impairment	Fair value adjustment	Balance at 31.12.2016
Subsidiaries							
DeA Capital Real Estate S.p.A.	128,339	2,550	0	0	0	0	130,889
IDeA FIMIT SGR S.p.A.	5,108	0	0	0	0	0	5,108
IDeA Capital Funds SGR S.p.A.	39,700	0	0	0	0	0	39,700
Other investments							
Harvip Investimenti S.p.A.	184	0	0	0	0	0	184
Total	173,331	2,550	0	0	0	0	175,881

Valuation techniques and main unobservable input data

Subsidiaries

Valuations of shareholdings and funds in the portfolio reflect estimates made using the information available on the date this document was prepared.

Equity investments are valued using calculation methodologies based on specific assumptions concerning:

- the growth of future cash flows contingent upon future events that can be assigned probabilities based on historical experience;
- the level of specific input parameters that are not listed on active markets; in all cases, the prices and spreads observed in the market are preferred for estimating these.

IDeA FIMIT SGR S.p.A.

The economic value of the subsidiary IDeA FIMIT SGR was estimated based on a specific report by an independent expert. The report was based on the sum of the parts model and calculated the value, defined as the sum of (i) the present value of dividend flows (DDM method) expected from IDeA FIMIT SGR and (ii) the present value of the carried interest flows expected from funds managed by the company (DCF method), both for the forecasting period in question (2017-2021) and future periods (using a projected terminal value based on normalised cash flows).

A number of assumptions were made in determining these flows, including estimates of future increases in revenues, based on expected trends in managed assets, EBITDA and net income or, in the case of carried interest, on the basis of the company's projections of future returns for the various funds under management.

The valuation was based on a cost of capital of 12.4% plus a terminal value based on growth ("g") assumptions of 1.0%.

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of IDeA FIMIT SGR, i.e. the cost of capital and the rate of growth (g) used, leads to a potential change in the company's overall value of EUR -4.6/+5.3 million (for changes of +0.5% and -0.5% in the discount rate) and EUR -3.3/+3.7 million (for changes of -0.5% and +0.5% in the rate of growth (g)).

DeA Capital Real Estate S.p.A.

The economic value of the subsidiary DeA Capital Real Estate was estimated on the basis of a sum-of-the-parts valuation, which mainly includes the valuation of the investment in IDeA FIMIT SGR, as described in the previous section, and of Innovation Real Estate.

IDeA Capital Funds SGR S.p.A.

The economic value of the subsidiary IDeA Capital Funds SGR was estimated with the help of a specific report by an independent expert. The report was based on the sum of the parts model and calculated the value, defined as the sum of (i) the current value of dividend flows (DDM method) expected from IDeA Capital Funds SGR and (ii) the current value of the carried interest flows expected from the same company (DCF method), both for the forecasting period in question (2017-2021) and future periods (using a projected terminal value based on normalised cash flows).

A number of assumptions were made in determining these flows, including estimates of future increases in revenues, based on expected trends in managed assets, EBITDA and net income or, in the case of carried interest, on the basis of IRR projections made by the company for the various funds under management.

The valuation was based on a cost of capital of between 10.6% and 12.3%, depending on (i) the period of the flows (2017-2021 or later) and (ii) the nature of these flows (dividends from the asset management company or carried interest from the managed funds), supplemented by a terminal value based on a growth assumption of 1.0%.

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of IDeA Capital Funds SGR, i.e. the cost of capital and the rate of growth (g) used, leads to a potential change in the company's overall value of EUR -1.9/+2.1 million (for changes of +0.5% and -0.5% in the discount rate) and EUR -1.7/+1.8 million (for changes of -0.5% and +0.5% in the rate of growth (g)).

Kenan Investments/Migros

The equity investment in Kenan Investments (the indirect parent company of Migros) is recorded in the Consolidated Financial Statements at 31 December 2016 in the amount of EUR 66.9 million.

The accelerated book building operation, completed on 8 April 2011, brought the company's total free float to 20.5%. This increased the significance of stock market prices for the purposes of identifying the fair value of the company.

The valuation of the equity investment in Kenan Investments at 31 December 2016 is based on (i) the equity value of Migros, (ii) an updated view of net debt at the various levels of the Company's control structure (Kenan Investments, Moonlight Capital, MH) and (iii) the TRY/EUR exchange rate (3.72 at 31 December 2016).

Venture capital funds, funds of funds, co-investment fund and theme funds

Valuations of shareholdings and funds in the portfolio reflect estimates made using the information available on the date this document was prepared.

With regard to funds, at 31 December 2016, the DeA Capital Group held units in:

- IDeA I FoF (valued at EUR 69.0 million)
- ICF II (valued at EUR 47.0 million)
- ICF III (valued at EUR 6.9 million)
- IDeA OF I (valued at EUR 44.2 million)
- IDeA EESS (valued at EUR 16.9 million)
- IDeA ToI (valued at EUR 5.2 million)
- IDeA CCR I (valued at EUR 0.1 million)
- Atlantic Value Added (valued at EUR 3.9 million)
- Santa Palomba (valued at EUR 0.4 million)
- six venture capital funds (with a total value of approximately EUR 9.5 million)

For venture capital funds, the fair value of each fund is based on the fund's stated NAV, calculated according to international valuation standards.

For the other funds, the fair value of each fund is represented by the NAV advised by the management company in the fund management report for the year ending 31 December 2016, drafted in accordance with the Bank of Italy's regulation of 19 January 2015 on collective asset management.

Notes to the balance sheet

NON-CURRENT ASSETS

1 - Intangible and tangible assets

1a - Intangible assets

Changes in intangible assets are shown in the tables below:

(EUR thousand)	Historical cost at 1.1.2016	Cum.amort. & write-downs at 1.1.2016	Net carrying value at 1.1.2016	Historical cost at 31.12.2016	Cum. amort. & write-downs at 31.12.2016	Net carrying value at 31.12.2016
Concessions, licences and trademarks	344	(329)	15	350	(341)	9
Total	344	(329)	15	350	(341)	9

(EUR thousand)	Balance at 1.1.2016	Acquisitions	Disposals	Disposals (provision)	Amort.	Balance at 31.12.2016
Concessions, licences and trademarks	15	6	0	0	(12)	9
Total	15	6	0	0	(12)	9

The increase in "Concessions, licences and trademarks" relates to the acquisition of new software licences, the cost of which will be amortised over three years.

1b - Tangible assets

Changes in tangible assets are shown in the tables below:

(EUR thousand)	Historical cost at 1.1.2016	Cum. depr. & write-downs at 1.1.2016	Net carrying value at 1.1.2016	Historical cost at 31.12.2016	Cum. depr. & write-downs at 31.12.2016	Net carrying value at 31.12.2016
Plant	7	(6)	1	7	(6)	1
Furniture and fixtures	418	(348)	70	418	(384)	34
Computer and office equipment	63	(53)	10	69	(62)	7
Leasehold improvements	663	(312)	351	663	(412)	251
Non-depreciable tangible assets	37	0	37	37	0	37
Total	1,188	(719)	469	1,194	(864)	330

(EUR thousand)	Balance at 1.1.2016	Acquisitions	Disposals (at cost)	Disposals (provision)	Depr.	Balance at 31.12.2016
Plant	1	0	0	0	0	1
Furniture and fixtures	70	0	0	0	(36)	34
Computer and office equipment	10	6	0	0	(9)	7
Leasehold improvements	351	0	0	0	(100)	251
Non-depreciable tangible assets	37	0	0	0	0	37
Total	469	6	0	0	(145)	330

Depreciation is calculated on a straight-line basis, according to the estimated useful life of the asset.

The depreciation rates used in the financial statements are:

- specific equipment 20%;
- furniture and furnishings 12%;
- computer and office equipment 20%;
- leasehold improvements 15%.

2 - Financial investments

2a - Investments in subsidiaries

Investments in subsidiaries are measured at fair value in accordance with IAS 27 and IFRS 13.

Details of the existing investments at 31 December 2016 are shown in the table below.

(EUR thousand)	% shareholding at 31.12.16	Value at 31.12.16	% shareholding at 31.12.15	Value at 31.12.15
DeA Capital Real Estate S.p.A.	100.00%	130,889	100.00%	128,339
IDeA Opportunity Fund I	46.99%	44,168	46.99%	48,534
IDeA FIMIT SGR S.p.A.	3.00%	5,108	3.00%	5,108
IDeA Capital Funds SGR S.p.A.	100.00%	39,700	100.00%	39,700
Total		219,865		221,681

The changes in the item in question at 31 December 2016 compared with end-2015 are detailed below, separately by asset.

DeA Capital Real Estate S.p.A.

The investment in the Consolidated Financial Statements for the Year Ending 31 December 2016 is approximately EUR 130,889 thousand. The change in carrying value compared with 31 December 2015 was due to the payment made by the Parent Company of EUR 2,550 thousand.

IDeA Opportunity Fund I (IDeA OF I)

The units in IDeA OF I are valued at around EUR 44,168 thousand in the Financial Statements to 31 December 2016. The change in the carrying value compared with 31 December 2015 was due to contributions made for capital calls totalling EUR +3,714 thousand, capital reimbursements of EUR -8,903 thousand and a net increase in fair value of around EUR +824 thousand.

The fair value of each fund is represented by the NAV advised by the management company in the fund management report for the year ending 31 December 2016, drafted in accordance with the Bank of Italy's regulation of 19 January 2015 on collective asset management.

IDeA FIMIT SGR S.p.A.

The investment in the Consolidated Financial Statements for the Year Ending 31 December 2016 is approximately EUR 5,108 thousand.

The calculation of the fair value was carried out using the sum of the parts model by determining the value in use, calculated as the sum of (i) the present value of dividend flows (DDM method) expected from IDeA FIMIT SGR and (ii) the present value of the carried interest flows expected from funds managed by the same company (DCF method), both for the specific period covered by the forecasts (2017-2021) and for those in future (using a projected terminal value based on normalised cash flows).

A number of assumptions were made in determining these flows, including estimates of future increases in revenues, based on expected trends in managed assets, EBITDA and net income or, in the case of carried interest, on the basis of the company's projections of future returns for the various funds under management.

The valuation was based on a cost of capital of 12.4% plus a terminal value based on growth ("g") assumptions of 1.0%.

IDeA Capital Funds SGR S.p.A.

The investment in the Consolidated Financial Statements for the Year Ending 31 December 2016 is approximately EUR 39,700 thousand.

The calculation of the fair value of IDeA Capital Funds SGR was carried out using the sum of the parts model by determining the value in use, calculated as the sum of (i) the present value of dividend flows (DDM method) expected from IDeA Capital Funds SGR S.p.A. and (ii) the present value of the carried interest flows expected from funds managed by the same company (DCF method), both for the specific period covered by the forecasts (2017-2021) and for those in future (using a projected terminal value based on normalised cash flows).

A number of assumptions were made in determining these flows, including estimates of future increases in revenues, based on expected trends in managed assets, EBITDA and net income or, in the case of carried interest, on the basis of IRR projections made by the company for the various funds under management.

The valuation was based on a cost of capital of between 10.6% and 12.3%, depending on (i) the period of the flows (2017-2021 or later) and (ii) the nature of these flows (dividends from the asset management company or carried interest from the managed funds), supplemented by a terminal value based on a growth assumption of 1.0%.

A list of the equity investments with the information required under art. 2427 of the Italian Civil Code is shown in the table below.

Company	Registered office	Currency	Share capital	Consolidated shareholders' equity	Consolidated net profit/(loss) for the year	% shareholders' holding	Share of shareholders' equity (EUR)	Carrying value (EUR)
DeA Capital Real Estate S.p.A.	Milan, Italy	EUR	600,000	70,022,657	6,003,157	100.00%	70,022,657	130,889,195
IDeA Opportunity Fund I	Milan, Italy	EUR	126,638,440	94,000,303	1,752,973	46.99%	44,167,771	44,167,771
IDeA FIMIT SGR S.p.A.	Rome, Italy	EUR	16,757,557	204,674,202	1,212,816	3.00%	5,217,879*	5,108,253
IDeA Capital Funds SGR S.p.A.	Milan, Italy	EUR	1,200,000	6,451,955	3,789,423	100.00%	6,451,955	39,700,000
Total					12,758,369		120,642,383	219,865,219

* Doesn't include the portion of Shareholders equity attributable to holders of SFP.

2b - Investments in associated companies and funds

At 31 December 2016, this item totalled EUR 20,832 thousand, as shown in the following table.

(EUR thousand)	Balance at 1.1.2016	Increases	Capital increases	Capital decreases	Fair value adjustment	Impairment on income statement	Balance at 31.12.2016	Saldo al 31.12.2016
Atlantic Value Added	4,203	0	0	0	0	0	(268)	3,935
IDeA EESS	0	7,101	5,350	2,766	0	1,680	0	16,897
Total	4,203	7,101	5,350	2,766	0	1,680	(268)	20,832

The changes in the item under review at 31 December 2016 compared with end-2015 relate to:

- reclassification under this item for "Held-for-sale assets" of EUR 7,101 thousand relating to the IDeA EESS fund following the acquisition of a further 15.1% of the units from M&C S.p.A., for a price of EUR 5,350 thousand, taking the total holding to 30.4%;
- an increase of EUR 2,766 thousand in the units of IDeA EESS due to the capital calls paid during the year;
- the fair value measurement of associated companies resulting in an increase of EUR +1,680 thousand for IDeA EESS and an impairment of EUR -268 thousand for Atlantic Value Added.

2c - Investments in other companies

This item, which totalled EUR 67,130 thousand at 31 December 2016, includes the investments in Kenan Investments S.A. and Harvip Investimenti S.p.A., as shown in the following table:

(EUR thousand)	Balance at 1.1.2016	Distribution	Fair value adjustment	Impairment on income statement	Balance at 31.12.2016
Kenan Investments S.A.	76,280	0	(9,334)	0	66,946
Harpip Investimenti S.p.A.	184	0	0	0	184
Total	76,464	0	(9,334)	0	67,130

Note that the Company is also a shareholder in other smaller companies with a carrying value of zero, as said companies are in liquidation or dormant.

The change in this item at 31 December 2016 compared with end-2015 relates to the fair value measurement of Kenan Investments S.A., which resulted in a decrease of EUR 9,334 thousand.

2d - Available-for-sale funds

This item relates to investments in six venture capital funds totalling EUR 9,488 thousand, compared with EUR 9,673 thousand at the end of 2015, and six closed-end mutual investment funds in an amount of EUR 128,592 thousand compared with EUR 132,130 thousand at end-2015, as shown in the table below.

(EUR thousand)	Balance at 1.1.2016	Increases (capital call)	Decreases (capital distribution)	Impairment and related exchange effect	Fair value adjustment	Translation effect	Reclassification	Balance at 31.12.2016
Total venture capital funds	9,673	0	0	(125)	1,027	(1,087)	0	9,488
Closed-end mutual investment funds	132,130	10,926	(23,724)	0	16,361	0	(7,101)	128,592
Total funds	141,803	10,926	(23,724)	(125)	17,388	(1,087)	(7,101)	138,080

During 2016, the Company received capital reimbursements of EUR 23,724 thousand.

Venture capital funds

The fair value measurement of investments in venture capital funds at 31 December 2016, carried out based on the information and documents received from the funds, as well as other available information, meant that the amount had to be written down, along with the related exchange effect, by EUR 125 thousand; the significant reduction to below cost was considered clear evidence of impairment.

The other changes were for the decrease in fair value (and related exchange effect) of EUR 60 thousand.

Closed-end mutual investment funds

The units in closed-end mutual investment funds relate to:

- units in IDeA I FoF, which are valued at around EUR 69,015 thousand in the Financial Statements for the Year Ending 31 December 2016. The change in the carrying value compared with 31 December 2015 was due to contributions made for capital calls totalling EUR 1,232 thousand, capital reimbursements of EUR -15,615 thousand and a net increase in fair value of around EUR +6,181 thousand.
- units in ICF II, which are valued at around EUR 47,000 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2016. The change in the carrying value compared with 31 December 2015 was due to contributions made for capital calls totalling EUR 1,444 thousand, capital reimbursements of EUR -3,494 thousand and a net increase in fair value of around EUR +7,340 thousand.

- Units in IDeA EESS were valued in the Consolidated Financial Statements at EUR 7,101 thousand (EUR 7,312 thousand at 31 December 2015) when reclassified under "Investments in associates". The change in the carrying value compared with 31 December 2015 was mainly due to contributions made for capital calls totalling EUR 236 thousand, capital reimbursements of EUR -3,718 thousand and a net increase in fair value of around EUR +3,271 thousand.
- units in ICF III, which are valued at around EUR 6,906 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2016. The change in the carrying value compared with 31 December 2015 was due to contributions made for capital calls totalling EUR 1,664 thousand, capital reimbursements of EUR -204 thousand and a net increase in fair value of around EUR +629 thousand.
- units in IDeA ToI, which are valued at around EUR 5,196 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2016. The change in the carrying value compared with 31 December 2015 was due to contributions made for capital calls totalling EUR 5,718 thousand, capital reimbursements of EUR -693 thousand and a net decrease in fair value of around EUR -903 thousand.
- units in IDeA CCR, which are valued at around EUR 75 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2016. The change in the carrying value was due to contributions made for capital calls totalling EUR 233 thousand and a net decrease in fair value of around EUR -158 thousand.
- units in Santa Palomba, which are valued at around EUR 402 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2016. The change in the carrying value was due to contributions made for capital calls totalling EUR 400 thousand and a net increase in fair value of around EUR +2 thousand.

3 - Other non-current assets

3a - Deferred tax assets

Deferred tax assets of EUR 18,668 thousand were fully offset against deferred tax liabilities.

The changes in deferred tax assets and deferred tax liabilities are shown in the table below:

(EUR thousand)	Balance at 1.1.2016	Recognised in income statement	Recognised in equity	Balance at 31.12.2016
Losses carried forward available for offset against future taxable profits	15,960	2,708	0	18,668
Total deferred tax assets	15,960	2,708	0	18,668
Deferred tax liabilities for:				
- available-for-sale financial assets	(15,960)	0	(2,708)	(18,668)
Total deferred tax liabilities	(15,960)	0	(2,708)	(18,668)
Total deferred tax assets, net of deferred tax liabilities	0	2,708	(2,708)	0

No further deferred tax assets were allocated against the significant tax losses of DeA Capital S.p.A. of around EUR 108,074 thousand, which are fully usable, and about EUR 879 thousand, which are partially usable; the entire amount cannot be transferred to the tax consolidation scheme. This was because there was insufficient information for the group to believe that taxable income would be generated in future periods against which such tax losses could be recovered.

Deferred taxes were calculated using the liability method based on the temporary differences at the reporting date between the tax amounts used as a reference for the assets and liabilities and the amounts reported in the financial statements.

4 - Current assets

At 31 December 2016, current assets were approximately EUR 74,231 thousand compared with EUR 95,112 thousand at 31 December 2015.

4a - Trade receivables

This item totalled EUR 156 thousand (EUR 140 thousand at 31 December 2015) and relates to:

- EUR 80 thousand from De Agostini S.p.A. for the agreement to sublet rented premises and the reimbursement of costs associated with said agreement, and the pro rata reimbursement for improvements to leased assets incurred for the building at Via Brera, 21;
- EUR 42 thousand from IDeA FIMIT SGR, EUR 22 thousand from IDeA Capital Funds SGR, EUR 1 thousand from De Agostini Publishing Italia, EUR 1 thousand from Lottomatica for the pro rata reimbursement for improvements to leased assets incurred for the building at Via Brera, 21;
- EUR 10 thousand from Innovation Real Estate (IRE) for directors' emoluments.

These receivables break down by region as follows:

- 51.35% from Italian parent companies;
- 40.92% from Italian subsidiaries;
- 6.15% from Italian associates;
- 1.58% from Italian affiliates.

4b - Financial receivables

This item totalled EUR 2,138 thousand at 31 December 2016 (EUR 3,467 thousand at 31 December 2015) and relates to:

- EUR 2,130 thousand disbursed under a revolving credit facility of up to EUR 5 million in favour of Sigla S.r.l. (a wholly-owned subsidiary of investee company Sigla Luxembourg S.A. which focuses on the marketing of salary-backed loans). The line is secured by a lien on 51% of the financed company's shares and signed on 26 September 2014.
- EUR 8 thousand for interest accrued but not yet paid on this revolving credit line (variable rate of 1-month Euribor + spread).

4c - Tax receivables relating to the tax consolidation scheme due from parent companies

This item, totalling EUR 1,637 thousand at 31 December 2016 (EUR 1,263 thousand at 31 December 2015) relates to the receivable from the Parent Company De Agostini S.p.A. (previously B&D Holding di Marco Drago e C. S.a.p.A.) for participation in the tax consolidation scheme.

4d - VAT receivables from parent companies

This item was reduced (EUR 739 thousand at 31 December 2015) due to the prior-year receivable collected from the Parent Company De Agostini S.p.A. (previously B&D Holding di Marco Drago e C. S.a.p.A.) for its part in settling Group VAT.

4e - Other tax receivables

This item, totalling EUR 1,171 thousand (EUR 617 thousand at 31 December 2015), relates to:

- tax deductions in the form of advance payments on interest of EUR 40 thousand;
- advance payments made in relation to foreign direct and indirect taxes in Luxembourg for EUR 16 thousand;
- a receivable of EUR 547 thousand arising from the settlement of VAT relating to 2016;
- a receivable arising from an application for an IRES refund due to the non-deduction of IRAP relating to personnel costs for 2010-2011, for EUR 94 thousand;
- a receivable arising from an application for refund of the substitute tax relating to long-term funding granted by Mediobanca in the second half of 2010, of EUR 115 thousand;
- a receivable of EUR 359 thousand arising from the ruling by the Milan provincial tax commission on the inspections for the tax periods 2009-2010, recorded for IDeA Alternative Investments S.p.A. (a company that was merged by incorporation into DeA Capital S.p.A. with effect from 1 January 2012), against which the Company had filed an appeal.

4f - Other receivables

These receivables, totalling EUR 507 thousand (EUR 497 thousand at 31 December 2015), relate mainly to prepaid expenses and receivables for guarantee deposits. These receivables fall due within the next year.

4g - Cash and cash equivalents

Cash and cash equivalents consist of bank deposits and cash (EUR 5 thousand), including interest accrued at 31 December 2016. This item totalled EUR 68,622 thousand at end-2016 compared with EUR 88,388 thousand at end-2015.

This increase is primarily due to the combined effect of the following factors:

- receipt of dividends of EUR +6,360 thousand from DeA Capital Real Estate, EUR +163 thousand from IDeA FIMIT SGR and EUR +3,700 thousand from IDeA Capital Funds SGR;
- payment of dividends of EUR -31,555 thousand;
- receipt of EUR +9,871 thousand for pay-outs from available-for-sale funds excluding capital calls paid;
- outlay of EUR -2,550 thousand for the capital increase in the subsidiary DeA Capital Real Estate;
- receipt of EUR +1,194 thousand in remuneration for losses transferred to Parent Company De Agostini S.p.A. (formerly B&D Holding di Marco Drago e C. S.a.p.A.) for participation in the tax consolidation scheme;
- interest of EUR +95 thousand and reimbursement of EUR +1,337 thousand for the credit line granted to Sigla S.r.l., a wholly-owned subsidiary of investee company Sigla Luxembourg S.A.;
- service expenses, net of reimbursements to parent companies and associates, of EUR -4,927 thousand;
- outlay of EUR -3,424 thousand for treasury share purchase plan, net of stock options exercised by the company's management.

Please see the Company's Cash Flow Statement for further information on changes to this item.

5 - Held-for-sale assets

This item consists of the investment in Sigla Luxembourg S.A. of EUR 11,487 thousand. Of those held for sale pursuant to IFRS 5, this investment was retained because the sales process launched in the fourth quarter of 2015 is ongoing.

6 - Shareholders' equity

At 31 December 2016, shareholders' equity totalled approximately EUR 529,671 thousand, compared with EUR 549,106 thousand at 31 December 2015.

The decrease of around EUR 19,435 thousand in shareholders' equity in 2016 was mainly due to:

- an increase of EUR +7,338 thousand in the fair value reserve;
- the purchase of treasury shares in the amount of EUR -3,776 thousand;
- the distribution of a dividend of EUR -31,557 thousand;
- the profit of EUR +7,574 thousand for the period.

Please see the Statement of Changes in Shareholders' Equity for more information on the main changes in this item.

6a - Share capital

The share capital (fully subscribed and paid up) totalled EUR 306,612,100, represented by 306,612,100 shares (of which 45,404,954 treasury shares) with a nominal value of EUR 1 each.

Given that the nominal value of the 45,404,954 treasury shares held at 31 December 2016 is deducted from total share capital, share capital of EUR 261,207,146 was reported in the Financial Statements.

Changes in share capital are shown in the table below.

	31.12.2016		31.12.2015	
(EUR thousand)	No. of shares	amount	No. of shares	amount
Share capital	306,612,100	306,612	306,612,100	306,612
of which: Own shares	(45,404,954)	(45,405)	(42,688,945)	(42,689)
Share capital (excluding own shares)	261,207,146	261,207	263,923,155	263,923

The table below shows a reconciliation of the shares outstanding.

	Shares issued	Own shares in portfolio	Shares in issue
Shares at 31 December 2015	306,612,100	(42,688,945)	263,923,155
<i>Changes in 2016</i>			
Share capital increase	0	0	0
Own shares purchased	0	(3,178,745)	(3,178,745)
Own shares sold	0	0	0
Own shares disposed of	0	0	0
Used for stock options plan	0	462,736	462,736
Shares issued for stock options	0	0	0
Shares at 31 December 2016	306,612,100	(45,404,954)	261,207,146

6b - Share premium reserve (net of share issue costs reserve)

This item decreased by EUR 32,007 thousand (from EUR 299,647 thousand at 31 December 2015 to EUR 267,640 thousand at 31 December 2016) after the distribution of dividends (EUR -31,557 thousand), the purchase of treasury shares (EUR -598 thousand) and the exercise of stock options and performance shares by the company's management (EUR +148 thousand).

Changes in the share premium reserve are shown in the table below.

	Share premium reserve	Own shares in portfolio	Costs relating to share issue	Total
Shares at 31 December 2015	334,338,793	(26,864,102)	(7,828,172)	299,646,519
<i>Changes in 2016</i>				
Share capital increase	0	0	0	0
Distribution of dividends	(31,556,936)	0	0	(31,556,936)
Own shares purchased	0	(597,492)	0	(597,492)
Own shares disposed of	0	0	0	0
Used for stock options plan	0	0	0	0
Shares issued for stock options	0	148,076	0	148,076
Shares at 31 December 2016	302,781,857	(27,313,518)	(7,828,172)	267,640,167

6c - Legal reserve

This reserve totalled EUR 61,322 thousand, which was unchanged from the figure at 31 December 2015.

6d - Fair value reserve

The fair value reserve is positive at EUR 26,097 thousand (compared with EUR 18,759 thousand at 31 December 2015) and comprises:

- the reserve for first-time adoption of IAS/IFRS, which had a negative balance of EUR -3,745 thousand (unchanged from 31 December 2015);
- positive fair value reserves totalling EUR +29,842 thousand compared with a positive value of EUR +22,504 thousand at 31 December 2015.

The table below shows a summary of the changes in this item during the year.

(EUR thousand)	Balance at 1.1.2016	Use of fair value reserve for impairment	Fair value adjustment	Tax effect	Balance at 31.12.2016
Direct investments/equity investments	(18,450)	0	(9,335)	0	(27,785)
Venture capital	2,283	0	(63)	123	2,343
Closed-end mutual investment funds	38,671	578	18,866	(2,831)	55,284
Reserve for IFRS first-time adoption to other reserves	(3,745)	0	0	0	(3,745)
Total	18,759	578	9,468	(2,708)	26,097

6e - Other reserves

Other reserves, totalling EUR 500 thousand, comprise:

- a reserve for stock option costs totalling EUR +973 thousand;
- a reserve for the merger of the subsidiary IDeA Alternative Investments totalling EUR -831 thousand;
- a reserve for actuarial gains/losses on the end-of-service payment fund of EUR -55 thousand;
- a reserve for the sale of option rights, unchanged from 31 December 2015, totalling EUR +413 thousand. This originated from the sale of the remaining option rights to subscribe to a capital increase that had not been exercised by the shareholders, and were sold by the Company.

6f - Retained earnings (losses) carried forward

This item totalled EUR -94,669 thousand and includes profits/losses carried forward from previous periods.

6g - Profit/(loss) for the year

This item includes profit of EUR 7,574 thousand for the year 2016, compared with a loss of EUR 18,900 thousand for the year 2015.

Art. 2427, para. 1, 7-bis of the Italian Civil Code: details of shareholders' equity items

The table below shows a breakdown of shareholders' equity at 31 December 2016, with details of the origin of the items, their potential uses and whether or not they can be distributed, and their use in previous years:

Description (in EUR)	Amount	Potential use	Amount available	Summary of use in the three previous years	
				to cover losses	for other reasons
Share capital	261,207,146	=	=		
Share capital reserve:					
Share premium reserve	275,468,339	A,B,C	275,468,339	=	79,854,073
Profit reserves:					
Legal reserve	61,322,420	B	=	=	=
Reserve for costs relating to share issue	(7,828,172)	=	=	=	=
Stock options reserve	973,103	=	=	=	=
Reserve for sale of option rights	412,798	=	=	=	=
Merger reserve	(831,486)	=	=	=	=
Fair value reserves	26,096,891	=	=	=	=
Reserve for actuarial gains / losses	(54,994)	=	=	=	=
Earnings (losses) carried forward	(94,669,362)	A,B,C	=	=	=
Profit (loss) for the year	7,573,907		=	=	8,988
TOTAL	529,670,590		275,468,339		

Key: A = capital increase, B = to cover loss, C = distribution to shareholders

7 – Non-current liabilities

7a – End-of-service payment fund

The end-of-service payment fund is a defined benefit plan, and has therefore been valued using actuarial assessments. The assumptions used in calculating the fund were: a discount rate of 1.31%; an annual rate of inflation of 1.50%; annual salary growth of 2.50%; and an annual fund growth rate of 2.63%.

Changes in the end-of-service payment fund were as follows:

(EUR thousand)	Balance at 1.1.2016	Portion accrued	Payments	Advances	Balance at 31.12.2016
Change in end-of-service payment fund	286	87	0	(28)	345

The amounts concerned were calculated as follows:

(EUR thousand)	31.12.2016	31.12.2015
Nominal value of end-of-service payment fund	296	351
Discounting effect	49	(65)
Current value of end-of-service payment fund	345	286

8 - Current liabilities

Total current liabilities amounted to EUR 1,969 thousand (EUR 1,842 thousand at 31 December 2015) and are all due within the following year. These payables are not secured on any company assets.

8a - Trade payables

This item totalled EUR 914 thousand, compared with EUR 1,200 thousand in the previous year, and stems from ordinary operations.

Payables in respect of related parties include:

- payables to affiliate De Agostini Editore S.p.A. of approximately EUR 57 thousand;
- payables to affiliate De Agostini Invest S.A. of approximately EUR 12 thousand;
- payables to affiliate De Agostini Libri S.p.A. of approximately EUR 1 thousand.

A breakdown of these payables by region is set out below:

- 88.80% due to suppliers in Italy;
- 7.70% due to suppliers in respect of affiliates in Italy;
- 2.66% due to suppliers in Luxembourg;
- 0.62% due to suppliers in the US;
- 0.22% due to suppliers in the UK.

Trade payables do not accrue interest and are settled, on average, within 30 to 60 days.

8b - Payables to staff and social security organisations

This item amounted to EUR 687 thousand (EUR 371 thousand at 31 December 2015) and breaks down as follows:

- EUR 243 thousand for payables to social security organisations, paid after the end of financial year 2016;
- EUR 444 thousand for payables to staff for holidays not taken, and accrued bonuses.

8c - Tax payables to subsidiaries

This item, which amounts to EUR 64 thousand (unchanged on 31 December 2015), relates to the payable to the subsidiary IDeA Capital Funds SGR regarding the application for an IRES refund due to the non-deduction of IRAP in respect of personnel costs for 2010/2011.

8d - Other tax payables

This item amounted to EUR 264 thousand (EUR 199 thousand at 31 December 2015) and consists of payables to the tax authorities in respect of taxes deducted from the income of employees and self-employed staff of EUR 258 thousand and a payable for Luxembourg VAT of EUR 6 thousand.

8e - Other payables

This item amounted to EUR 40 thousand (EUR 9 thousand at 31 December 2015) and mainly consists of a provision for a director's remuneration of EUR 30 thousand and a payable of EUR 8 thousand for dividends not yet paid.

Contingent liabilities

IAS 37 defines a contingent liability as a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Companies need not recognise contingent liabilities, but should still disclose them.

On 17 December 2014, DeA Capital S.p.A. received an assessment notice for the 2009 tax period of IDeA Alternative Investments S.p.A., a company which was merged into DeA Capital S.p.A. with effect from 1 January 2012. The assessment, which alleged that revenues had been significantly under-reported, was challenged in an appeal by DeA Capital before the Milan Provincial Tax Court.

Subsequently, on 10 November 2015, DeA Capital S.p.A. received another assessment notice for IDeA Alternative Investments S.p.A. relating to the 2010 tax period. The assessment alleged that revenues had been significantly under-reported and that spin-off costs had been improperly deducted. This assessment was also challenged in an appeal by DeA Capital before the Milan Provincial Tax Court.

On 14 November 2016, the Milan Provincial Tax Court approved the appeals regarding the alleged under-reporting of revenues for the years 2009/2010 in full and the appeal regarding the spin-off costs in part. The overall impact on the Income Statement of these outcomes was EUR 74 thousand, taking into account penalties and interest. There is a theoretical possibility that the tax authorities could still lodge an appeal against this ruling, which would have to occur within six months of the ruling. At the date of this document, this option had not been exercised.

Notes to the Income Statement

9 – Revenues and income

9a – Investment income and expenses

Net income arising from investments totalled EUR 9,269 thousand in 2016 (compared with net expenses of EUR 30,601 thousand in 2015).

Details of this item are shown below.

(EUR thousand)	Financial year 2016	Financial year 2015
Dividends from subsidiaries and other income	10,223	5,517
Income from available-for-sale funds - Kenan Investments S.A.	0	16,452
Capital gains on disposals	0	1,425
Investment income	10,223	23,394
Impairment IDeA Capital Funds SGR S.p.A	0	10,210
Impairment IDeA FIMIT SGR S.p.A	0	727
Impairment DeA Real Estate S.p.A.	0	42,442
Impairment venture capital funds	109	464
Impairment closed-end mutual investment funds	845	152
Investment charges	954	53,995
Total	9,269	(30,601)

Dividends from associates and other income

The item comprises dividends paid out by:

- IDeA Capital Funds SGR, in the amount of EUR 3,700 thousand;
- DeA Capital Real Estate, in the amount of EUR 6,360 thousand;
- IDeA FIMIT SGR, in the amount of EUR 163 thousand.

Impairment of available-for-sale equity interests and funds

The fair value measurement of investments in funds at 31 December 2016, based on the documents received and the information available, made it necessary to record:

- impairment of EUR 109 thousand directly on venture capital investments;
- impairment of EUR 577 thousand as a reclassification to the Income Statement of the negative fair value reserves;
- impairment of EUR 268 thousand relating directly to closed-end mutual investment funds.

For these funds, the significant reduction below cost was considered clear evidence of impairment.

9b – Service revenues

Income of EUR 1,817 thousand was reported in 2016 (EUR 1,767 thousand in 2015), attributable to the reimbursement of costs or supply of services, in the following amounts:

- EUR 827 thousand to IDeA FIMIT SGR
- EUR 469 thousand from IDeA Capital Funds SGR
- EUR 358 thousand from De Agostini S.p.A.
- EUR 36 thousand from De Agostini Editore
- EUR 35 thousand from DeA Capital Real Estate
- EUR 26 thousand from Lottomatica
- EUR 23 thousand from IRE
- EUR 20 thousand from De Agostini Publishing
- EUR 19 thousand from Idea Real Estate
- EUR 4 thousand from Innovation Real Estate Advisory

9c – Other revenues and income

Other revenues and income, totalling EUR 37 thousand (compared with EUR 9,107 thousand in 2015) relate mainly to the reversal of the carried interest to be paid to BC Partners, the lead investor in Kenan, subject to the achievement of specific profitability targets.

10 – Operating costs

10a – Personnel costs

Personnel costs totalled EUR 2,990 thousand, compared with EUR 2,452 thousand in 2015.

The item breaks down as follows:

(EUR thousand)	Financial year 2016	Financial year 2015
Salaries and wages	1,677	1,453
Social security charges	469	407
Remuneration for the Board of Directors	314	744
Recharge of Remuneration for the Board of Directors	(298)	(98)
Stock options figurative cost	674	487
Stock options reversal	0	(762)
End-of-service payment fund	112	137
Total personnel costs	42	84
Total	2,990	2,452

The effect of the cost arising from the Stock Option Plans for 2016, of EUR 674 thousand (EUR 487 thousand in 2015), was partly offset by the exercise by the Company's management of the 2013-2015 Stock Options Plan, of EUR 387 thousand.

The Parent Company has 15 employees (13 at 31 December 2015).

The table below shows changes and the average number of Parent Company employees during the year.

Employees	1.1.2016	Recruits	Departures	31.12.2016	Average no.
Senior managers	4	0	0	4	4
Senior managers on fixed-term contracts	0	1	0	1	1
Junior managers	4	0	1	3	4
Staff	5	2	0	7	6
Total	13	3	1	15	15

Share-based payments

Employees of DeA Capital S.p.A. and the Parent Company, De Agostini S.p.A. are beneficiaries of stock option and performance share plans based on the shares of DeA Capital S.p.A. Unexercised but valid call options on the Company's shares at 31 December 2016 totalled 3,331,375.

Stock option plans were valued using the numerical binomial tree procedure (the original Cox, Ross and Rubinstein method). Numerical analysis using binomial trees generates simulations of various possible developments in the share price in future periods.

On 21 April 2016, the DeA Capital S.p.A. Shareholders' Meeting approved the DeA Capital Performance Share Plan 2016-2018, under which a maximum of 1,250,000 units may be allocated. On the same date, in implementation of the shareholders' resolution, the Board of Directors of DeA Capital S.p.A. voted: (i) to launch the DeA Capital Performance Share Plan 2016-2018 approved by the shareholders' meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation; and (ii) to allocate a total

of 1,000,000 units (representing the right to receive ordinary shares in the Company free of charge, under the terms and conditions of the plan) to certain employees and/or directors performing particular roles at the Company, its subsidiaries and the Parent Company De Agostini S.p.A.

Shares allocated due to the vesting of units will be drawn from treasury shares already held by the company.

In addition, the plan enables DeA Capital to oblige beneficiaries to return, in full or in part, shares received pursuant to the plan, should circumstances emerge that clearly show that incorrect data have been used to verify the achievement of the targets for the vesting of the units (known as "claw-back").

The shareholders' meeting also approved the Company's Remuneration Policy pursuant to art. 123-ter of the TUF.

Subsequently, on 8 September 2016, in view of the distribution of the extraordinary dividend of EUR 0.12 approved by the Shareholders' Meeting on 21 April 2016 and the resulting reduction in the DeA Capital share value, the Board of Directors of DeA Capital, as the competent body pursuant to the plans' regulations, approved a number of amendments to the following incentive-based plans in order to keep the substance and financial content unchanged. Specifically:

- Performance share plans. The Board voted to compensate for the lower value of the plans following the distribution of the extraordinary dividend, in the event that the vesting conditions are met, by allocating new units, to be determined on the vesting date. The new units, which will be valued at the price per share on the same date, will be allocated pro rata to the portion of units that have vested, up to the maximum number of units provided for under the above-mentioned Plans. The Board also resolved that where the lower value of the plans cannot be compensated for by the allocation of new units, a one-off bonus will be paid as compensation in cash, commensurate with the portion of units that has vested;
- Stock option plans. The Board of Directors voted to compensate for the lower value of the plans following the distribution of the extraordinary dividend, by the award of a one-off cash bonus commensurate with the portion of units that have vested.

The terms and conditions of the above-mentioned Performance Share Plan 2016-2018 are described in the Information Prospectus prepared in accordance with art. 84-bis of Consob Resolution 11971 of 14 May 1999 (Issuer Regulations), available to the public at the registered office of DeA Capital S.p.A. and on the Company's website www.deacapital.it (in the section Corporate Governance/Incentive Plans).

10b – Service costs

The table below shows a breakdown of service costs, which came in at EUR 4,497 thousand in 2016 (EUR 4,475 thousand in 2015):

(EUR thousand)	Financial year 2016	Financial year 2015
Management, tax, legal consultancy and other fees	1,372	1,406
Fees to corporate bodies	222	278
Ordinary maintenance	129	108
Travel expenses	58	25
Utilities and general expenses	2,579	2,522
Bank charges	30	32
Advertising, conferences, online subscriptions, office supplies	96	92
Other charges	11	12
Total	4,497	4,475

10c - Depreciation and amortisation

Please see the table on changes in intangible and tangible assets for details on this item.

10d - Other charges

This item totalled EUR 72 thousand (EUR 67 thousand in 2015) and mainly comprises registration tax and the non-deductible portion of VAT as a result of applying the new percentage of 99% against which VAT on purchases made during the year may be offset.

11 – Financial income and charges

11a – Financial income

Financial income totalled EUR 178 thousand, compared with EUR 393 thousand in 2015. This item included interest income of EUR 175 thousand and exchange rate gains of EUR 3 thousand.

Interest income mainly comprises EUR 140 thousand on loans to Sigla S.r.l., a wholly-owned subsidiary of investee company Sigla Luxembourg S.A.

(EUR thousand)	Financial year 2016	Financial year 2015
Interest income	175	233
Exchange gains	3	160
Total	178	393

11b – Financial charges

Financial charges totalled EUR 164 thousand, compared with EUR 823 thousand in 2015. These mainly included interest payable on loans and financial liabilities and losses on hedging derivatives and exchange rates.

Specifically, financial charges break down as follows:

- negative adjustment following the discounting to present value of the end-of-service provisions accrued in 2016, of EUR 6 thousand;
- interest payable from the readjustment to the IDeA ToI and IDeA ICF III funds of EUR 26 thousand;
- interest payable arising from the ruling by the Milan provincial tax commission on the inspections for the tax periods 2009-2010, recorded for IDeA Alternative Investments S.p.A. (a company that was merged by incorporation into DeA Capital S.p.A. with effect from 1 January 2012), against which the Company had filed an appeal, of EUR 23 thousand;
- fees on the Intesa SanPaolo S.p.A. credit line of EUR 93 thousand;
- exchange rate losses of EUR 16 thousand.

(EUR thousand)	Financial year 2016	Financial year 2015
Interest expense	116	807
Interest's realignment on financial instruments - available for sale	26	2
Charges on financial liabilities	6	7
Exchange losses	16	7
Total	164	823

12 – Tax

12a – Income tax for the period

At 31 December 2016, no IRAP taxes were recorded because of the negative tax base. This item mainly includes current tax income, amounting to EUR 1,510 thousand, which relates to the participation in the national tax consolidation scheme of the De Agostini S.p.A. Group (previously B&D Holding di Marco Drago e C. S.a.p.a.).

12b – Deferred tax assets and liabilities

This item came in at EUR 2,708 thousand and consists entirely of provisions made for deferred tax assets during the year, which arose as a result of the elimination (due to available tax losses) of the tax liability recorded following the valuation of the funds.

The table below shows a reconciliation of the tax charges recorded in the Financial Statements and the theoretical tax charge calculated using the IRES rate applicable in Italy:

(EUR thousand)	2016		2015	
	Amount	Rate	Amount	Rate
Profit before tax	3,420		(27,312)	
Tax on theoretical income	941	27.50%	(7,511)	27.50%
Tax effect of permanent differences				
- <i>Write-downs on equity investments</i>	-	0.00%	14,680	-53.75%
- <i>Dividends</i>	(2,671)	-78.10%	(1,441)	5.28%
- <i>Non-deductible interest</i>	-	0.00%	161	-0.59%
- <i>Other changes</i>	67	1.96%	(6,705)	24.55%
Income from tax consolidation scheme	153	4.47%	(42)	0.15%
Deferred tax assets	(2,708)	-79.18%	(7,558)	27.67%
Other taxes on foreign income	64	1.87%	3	-0.01%
Income tax reported in the income statement	(4,154)		(8,413)	

13 – Basic earnings (loss) per share

Basic earnings per share are calculated by dividing net profit or loss for the period attributable to the parent company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing net profit for the period attributable to shareholders by the weighted average number of ordinary shares outstanding during the period, including any dilutive effects of stock options.

The table below shows the share information used to calculate basic and diluted earnings per share:

(In EUR)	Financial year	Financial year
	2016	2015
Parent Company profit/(loss)(A)	7,573,907	(18,899,586)
Weighted average number of ordinary shares outstanding (B)	263,141,530	266,557,823
Basic earnings/loss per share (EUR per share) (C=A/B)	0.0288	(0.0709)
Adjustment for dilutive effect	-	-
Net profit/(loss) adjusted for diluted effect (D)	7,573,907	(18,899,586)
Weighted average number of shares to be issued for the exercise of stock options (E)	120,311	956,844
Total number of shares outstanding and to be issued (F)	263,261,840	267,514,667
Diluted earnings/loss per share (EUR per share) (G=D/F)	0.0288	(0.0706)

Options have a dilutive effect only when the average market price of the share for the period exceeds the strike price of the options or warrants (i.e. when they are "in the money").

Notes to the Cash Flow Statement

Changes to the Cash Flow Statement have been reported using the direct method.

Given the type of activity carried out by the Company, cash flow from investment in companies and funds (the Company's normal activity) is included in cash flow from operating activities.

In 2016, operating activities, as defined above, generated cash and cash equivalents of EUR 13,882 thousand (EUR 144,806 thousand in 2015). Please see the Cash Flow Statement for information on changes to this item.

In 2016, financing activities absorbed EUR 33,642 thousand (EUR -94,619 thousand in 2015) mainly in relation to the payment of dividends totalling EUR 31,555 thousand.

Cash and cash equivalents totalled EUR 68,622 thousand at end-2016, compared with EUR 88,388 thousand at the end of the 2015.

Other information

Commitments

At 31 December 2016, residual commitments for payments to funds totalled EUR 107.7 million, compared with EUR 92.6 million at end-2015. Details of changes in commitments are shown in the table below:

(EUR million)	
Residual commitments to funds – 31.12.2015	92.6
New commitments	37.6
Capital Calls	(21.8)
Exchange differences	(0.7)
Residual commitments to funds – 31.12.2016	107.7

With regard to this overcommitment, the management believes that the funds currently available, as well as funds that will be generated by its operating and financing activities, will enable DeA Capital to meet the financing required for its investment and management of working capital activities.

Treasury shares and Parent Company shares

On 21 April 2016, the Shareholders' Meeting of DeA Capital S.p.A. authorised the Board of Directors to buy and sell, on one or more occasions and on a revolving basis, a maximum number of ordinary shares in the Company representing a stake of up to 20% of the share capital.

The new plan replaces the previous plan approved by the shareholders' meeting on 17 April 2015 (which was scheduled to expire with the approval of the 2015 Annual Financial Statements), and will pursue the same objectives as the previous plan, including purchasing treasury shares to be used for extraordinary transactions and share incentive schemes, offering shareholders a means of monetising their investment, stabilising the share price and regulating trading within the limits of current legislation.

The authorisation specifies that purchases may be made until the date of the shareholders' meeting to approve the Financial Statements for the Year Ending 31 December 2016, and in any case not beyond the maximum duration of 18 months allowed by law, and that DeA Capital S.p.A. may also sell the shares purchased for the purposes of trading, without time limits. The unit price for the purchase of the shares will be set on a case-by-case basis by the Board of Directors, but must not be more than 20% above or below the share's reference price on the trading day prior to each purchase.

The authorisation to sell treasury shares already held in the Company's portfolio and any shares bought in the future was granted for an unlimited period; sales may be carried out using the methods deemed most appropriate and at a price to be

determined on a case-by-case basis by the Board of Directors, which must not, however, be more than 20% below the share's reference price on the trading day prior to the sale (apart from certain exceptions specified in the plan), although this limit may not apply in certain cases.

On the same date, the Board of Directors voted to implement the plan to buy and sell treasury shares authorised by the shareholders' meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation, and set the maximum unit price above which purchases of treasury shares may not be made, at the NAV per share indicated in the most recent statement of financial position approved and disclosed to the market. At the same meeting, the Company's Board of Directors also voted to adopt market practice regarding the acquisition of treasury shares by setting up a "securities warehouse", as permitted by Consob Resolution 16839 of 19 March 2009.

The Company has a contract with independent authorised intermediary Intermonte SIM S.p.A., granting it a mandate to buy and sell ordinary shares of the Company, pursuant to the Consob Practice.

For more information please see the minutes of the above-mentioned ordinary Shareholders' Meeting and explanatory Report by the Board of Directors, as well as the press release issued on 21 April 2016, which is available on the Issuer's website (www.deacapital.it), in the section Investor Relations/shareholders' meetings.

In 2016, as a part of the above plans, DeA Capital S.p.A. purchased 3,178,745 shares valued at approximately EUR 3,776,237 (at an average price of EUR 1.19 per share).

Taking into account purchases made in previous years for plans in place from time to time, and the use of treasury shares to service acquisitions of controlling interests in FARE Holding and IDeA AI, at 31 December 2016 the Company owned 45,404,954 treasury shares (equal to about 14.81% of the share capital).

As of the date of this document, based on purchases of 451,996 shares made after the end of 2016, the Company had a total of 45,856,920 treasury shares corresponding to about 14.96% of the share capital.

During 2016, the Company did not hold, purchase or sell, on its own account or through a trust company, any shares in the Parent Company De Agostini S.p.A.

Stock option and performance share plans

On 21 April 2016, the DeA Capital S.p.A. Shareholders' Meeting approved the DeA Capital Performance Share Plan 2016-2018, under which a maximum of 1,250,000 units may be allocated. On the same date, in implementation of the shareholders' resolution, the Board of Directors of DeA Capital S.p.A. voted: (i) to launch the DeA Capital Performance Share Plan 2016-2018 approved by the shareholders' meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation; and (ii) to allocate a total of 1,000,000 units (representing the right to receive ordinary shares in the Company free of charge, under the terms and conditions of the plan) to certain employees and/or directors performing particular roles at the Company, its subsidiaries and the Parent Company De Agostini S.p.A.

The shares allocated due to the vesting of units will be drawn from the treasury shares already held by the Company so that the allocation will not have a dilutive effect.

In addition, the plan enables DeA Capital to oblige beneficiaries to return, in full or in part, shares received pursuant to said plan, should circumstances emerge that clearly show that incorrect data have been used to verify the achievement of the targets for the vesting of the units (known as "claw-back").

The shareholders' meeting also approved the Company's Remuneration Policy pursuant to art. 123-ter of the TUF.

In May 2016, 462,736 treasury shares (approximately 0.2% of the share capital) were allocated as a result of the vesting of the 2013-2015 long-term incentive-based plans of DeA Capital S.p.A. (performance share and stock option), generating EUR 352 thousand through the exercise of the stock option plan.

Subsequently, on 8 September 2016, in view of the distribution of the extraordinary dividend of EUR 0.12 approved by the Shareholders' Meeting on 21 April 2016 and the resulting reduction in the DeA Capital share value, the Board of Directors of DeA Capital, as the competent body pursuant to the plans' regulations, approved a number of amendments to the following incentive-based plans in order to keep the substance and financial content unchanged. Specifically:

- Performance share plans. The Board voted to compensate for the lower value of the plans following the distribution of the extraordinary dividend, in the event that the vesting conditions are met, by allocating new units, to be determined on the vesting date. The new units, which will be valued at the price per share on the same date, will be allocated pro rata to the portion of units that have vested, up to the maximum number of units provided for under the above-mentioned plans. The Board also resolved that where the lower value of the plans cannot be compensated for by the allocation of new units, a one-off bonus will be paid as compensation in cash, commensurate with the portion of units that has vested.
- Stock option plans. The Board of Directors voted to compensate for the lower value of the plans following the distribution of the extraordinary dividend, by the award of a one-off cash bonus commensurate with the portion of units that have vested.

The tables below summarise the assumptions made in calculating the fair value of the plans.

Stock options	plan 2005	plan 2013	plan 2014
No. of options allocated	180,000	1,550,000	1,550,000
Average market price at allocation date	2.703	1.26	1.44
Value at allocation/modification date	486,540	318,267	364,250
Average exercise price	2.46	1.00	1.02
Expected volatility	29.40%	21.78%	22.06%
Option expiry date	30/04/16	31/12/18	31/12/19
Risk-free rate	3.60%	0.71%	0.71%

The Allocation Plan 2005 may be considered lapsed as the conditions for exercising option rights were not met.

Performance Share	plan 2014	plan 2015	plan 2015	plan 2016
Nº units allocated	393,500	515,000	150,000	1,000,000
Unit value	1.44	1.46	1.34	1.19
Value at allocation/modification date	228,230	302,477	66,750	1,185,000
Expected volatility	22.06%	24.83%	25.54%	22.14%
Option expiry date	31/12/16	30/06/19	30/06/19	30/06/20
Risk-free rate	0.42%	0.95%	0.82%	0.26%

Transactions with parent companies, subsidiaries and related parties

Intercompany relationships with the Parent Company and its Group

Transactions with related parties, including those with other Group companies, were carried out in accordance with the Procedure for Related Party Transactions adopted by the Company with effect from 1 January 2011, in accordance with the provisions of the Regulation implemented pursuant to art. 2391-bis of the Italian Civil Code with Consob Resolution 17221 of 12 March 2010, as subsequently amended. During the year, the Company did not carry out any atypical or unusual transactions with related parties, only those that are part of the normal business activities of group companies. It also did not carry out any "significant transactions" as defined in the above-mentioned procedure. Transactions with related parties during the year were concluded under standard market conditions, taking into account the nature of the goods and/or services offered.

With regard to transactions with parent companies, note the following:

- 1) DeA Capital S.p.A. signed a service agreement with the controlling shareholder, De Agostini S.p.A., for the latter to provide operating services in administration, finance, control, legal, corporate, tax, investor relations, and institutional and press services.

This agreement, which is automatically renewed each year, is priced at market rates, and is intended to allow the Company to maintain a streamlined organizational structure in keeping with its development policy, while obtaining sufficient operational support.

At the same time, on 1 January 2013, DeA Capital S.p.A. signed an "Agreement to sub-let property for intended use other than residential use" with the controlling shareholder, De Agostini S.p.A. The agreement relates to parts of a building located at Via Brera, 21, Milan, comprising space for office use, warehousing and car parking.

This agreement, which is renewable every six years after an initial term of seven years, is priced at market rates.

- 2) DeA Capital S.p.A., IDeA Capital Funds SGR, DeA Capital Real Estate and Idea Real Estate have adopted the national tax consolidation scheme of the De Agostini Group (the Group headed by De Agostini S.p.A., formerly B&D Holding di Marco Drago e C. S.a.p.A.). This option was exercised jointly by each company and De Agostini S.p.A. through the signing of the "Regulation for participation in the national tax consolidation scheme for companies in the De Agostini Group" and notifying the tax authorities of this option pursuant to the procedures and terms and conditions laid down by law. The option is irrevocable unless the requirements for applying the scheme are not met.

The option for DeA Capital S.p.A. is irrevocable for the three-year period 2014-2016.

- 3) In order to allow more efficient use of liquidity and the activation of credit lines with potentially better terms and conditions compared with those that may be obtained from banks, DeA Capital S.p.A. has signed a framework agreement (Framework Agreement) with the Parent Company De Agostini S.p.A. for the provision of short-term intercompany loans/deposits.

Deposit/financing operations falling within this Framework Agreement shall be activated only subject to verification that the terms and conditions, as determined from time to time, are advantageous, and will be provided on a revolving basis, and with maturities of not more than three months. The Framework Agreement has a duration of one year and is automatically renewed each year.

The amounts involved in the deposit/financing operations will, however, be below the thresholds defined for "transactions of lesser importance" pursuant to Consob Regulation 17221/2010 (Transactions with Related Parties) and the internal procedure on Transactions with Related Parties adopted by DeA Capital S.p.A.

Lastly, the Company did not hold, purchase or dispose of shares of related-party companies in 2016.

The table below shows the balances arising from transactions with related parties.

(EUR thousand)	31.12.2016					Financial year 2016				
	Trade receivables	Financial receivables	Tax receivables	Tax payables	Trade payables	Revenues for services	Financial income	Tax income	Personnel costs net of recharged	Service costs
Sigla S.r.l.	-	2,138.0	-	-	-	-	140.1	-	-	-
Spc S.p.A.	-	-	-	-	-	-	-	-	(4.3)	-
Idea Real Estate SIIQ S.p.A.	-	-	-	-	-	20.0	-	-	-	-
IDeA Capital Funds SGR S.p.A.	22.3	-	-	63.9	-	468.7	-	-	(216.0)	-
IDeA FIMIT SGR S.p.A.	41.5	-	-	-	-	827.5	-	-	(34.7)	-
DeA Capital Real Estate S.p.A.	-	-	-	-	-	35.0	-	-	(9.1)	-
Innovation Real Estate S.p.A.	-	-	-	-	-	14.6	-	-	3.6	6.0
I.R.E. Advisory S.r.l.	-	-	-	-	-	3.0	-	-	0.8	-
De Agostini Invest S.A.	-	-	-	-	-	-	-	-	-	22.4
De Agostini S.p.A.	80.0	-	1,656.8	-	-	357.7	-	1,509.6	69.2	622.6
De Agostini Libri S.p.A.	-	-	-	-	0.9	-	-	-	-	1.0
De Agostini Publishing Italia S.p.A.	1.1	-	-	-	-	20.0	-	-	-	0.6
Lottomatica S.p.A.	1.4	-	-	-	-	26.5	-	-	-	-
De Agostini Editore S.p.A.	-	-	-	-	56.9	36.0	-	-	-	168.2
Total related parties	146.3	2,138.0	1,656.8	63.9	57.8	1,809.0	140.1	1,509.6	(190.5)	820.8
Total financial statement line item	155.8	2,138.0	2,827.6	327.9	913.9	1,817.0	178.1	1,509.6	2,990.0	4,497.0
as % of financial statement line item	93.9%	100.0%	58.6%	19.5%	6.3%	99.6%	78.7%	100.0%	-6.4%	18.3%

Remuneration: directors of the board, auditors, general managers and directors with strategic responsibilities

In 2016, remuneration payable to the directors and auditors of DeA Capital S.p.A. for the performance of their duties totalled EUR 313 thousand and EUR 126 thousand respectively.

Remuneration paid to directors, auditors and senior managers with strategic responsibilities is shown in the table below:

Director	Position	Period position held	Position expires	Fees for position at company preparing the financial statements in EUR thousand	Non-cash and other benefits	Bonuses incentives	Statutory auditors' fees for positions held at subsidiaries	Other remuneration EUR/000
Lorenzo Pellicioli	Chairman	2016	Approval fin. statements 2018	30	0	0	0	0
Paolo Ceretti	Chief Executive Officer	2016	Approval fin. statements 2018	30	0	0	0	204
Gian Andrea Perco	Senior managers with strategic responsibilities	2016	-	0	0	0	0	55
Lino Benassi	Director	from 6 april 2016	Approval fin. statements 2018	22	0	0	0	0
Carlo Ferrari Ardicini	Director	from 21 april 2016	Approval fin. statements 2018	21	0	0	0	0
Busso Donatella	Director	2016	Approval fin. statements 2018	30	0	0	0	10
Rosario Bifulco	Director	until 21 april 2016	-	9	0	0	0	8
Francesca Goltetto	Director	2016	Approval fin. statements 2018	30	0	0	0	10
Roberto Drago	Director	until 21 april 2016	-	9	0	0	0	0
Marco Drago	Director	2016	Approval fin. statements 2018	30	0	0	0	0
Severino Salvemini	Director	2016	Approval fin. statements 2018	30	0	0	0	33
Daniela Toscani	Director	from 21 april 2016	Approval fin. statements 2018	21	0	0	0	10
Elena Vasco	Director	from 21 april 2016	Approval fin. statements 2018	21	0	0	0	7
Marco Boroli	Director	2016	Approval fin. statements 2018	30	0	0	0	0
Cesare Grifoni	Chairman of the Board of Statutory Auditors	from 21 april 2016	Approval fin. statements 2018	31	0	0	7	7
Fabio Facchini	Permanent Auditor	from 21 april 2016	Approval fin. statements 2018	21	0	0	0	0
Annalisa Donesana	Permanent Auditor	2016	Approval fin. statements 2018	36	0	0	43	12
Angelo Gaviani	Chairman of the Board of Statutory Auditors	until 21 april 2016	-	23	0	0	0	3
Gian Piero Balducci	Permanent Auditor	until 21 april 2016	-	15	0	0	17	5

In contrast to the data contained in the Remuneration Report prepared pursuant to art. 123-ter of the TUF in accordance with art. 84-quater of the Issuer Regulation, the emoluments and compensation indicated above do not include social security contributions where applicable.

"Other remuneration" relates to remuneration received for other positions held in either DeA Capital S.p.A. or other Group companies.

In 2016, annual salaries and bonuses, excluding benefits in kind, paid to managers with strategic responsibilities in the Parent Company totalled about EUR 408 thousand.

Shareholdings held by directors, auditors, general managers and managers with strategic responsibilities

Details of shareholdings held in DeA Capital S.p.A. and its subsidiaries by members of the boards of directors and auditors and by managers with strategic responsibilities are provided in aggregate format in the table below.

No shareholdings were reported for general managers since, to date, this position does not exist.

All those who held positions on the boards of directors or auditors, or as managers with strategic responsibilities, for the whole or part of the year in question, are included.

Name and surname	Investee company	No. of shares held at 1.1.2016	No. of shares purchased	No. of shares sold	Other movements	No. of shares held at 31.12.2016
Lorenzo Pellicioli	DeA Capital S.p.A.	2,566,323	0	0	0	2,566,323
Paolo Ceretti	DeA Capital S.p.A.	1,000,000	249,513	(49,513)	0	1,200,000
Rosario Bifulco	DeA Capital S.p.A.	1,536,081	0	0	(1,536,081)	0
Lino Benassi	DeA Capital S.p.A.	23,500	0	(23,500)	0	0
Key Management	DeA Capital S.p.A.	305,000	260,995	0	(45,995)	520,000
Total		5,430,904	510,508	(73,013)	(1,582,076)	4,286,323

No DeA Capital shares are held by other directors or auditors who are currently in office; furthermore, no shares are held in companies controlled by DeA Capital.

Directors Lorenzo Pellicioli, Marco Drago, Marco Boroli and Roberto Drago (three-year mandate terminated on 21 April 2016) own shares of B&D Holding di Marco Drago e C. S.a.p.a. and, in the case of directors Marco Drago, Roberto Drago and Marco Boroli, shares of De Agostini S.p.A., which control the Company both directly and indirectly, and are parties to a shareholders' agreement covering these shares.

Lastly, "other changes" in the preceding table take account of the following events:

- expiry on 21 April 2016 of the mandate of director Rosario Bifulco;
- termination of the employment relationship with managers with strategic responsibilities.

Stock options allocated to members of the boards of directors and auditors, general managers and managers with strategic responsibilities

Details of stock options held by members of the boards of directors and auditors and by managers with strategic responsibilities in DeA Capital S.p.A. and its subsidiaries are provided in aggregate format in the table below.

Beneficiary	Position	Options outstanding at 1 January 2016			Options granted during 2016			Options exercised during 2016	Options lapsed/ cancelled during 2016	Options outstanding at 31 December 2016		
		Number of options	Average exercise price	Average expiry date	Number of options	Average exercise price	Average expiry date			Number of options	Average exercise price	Average expiry date
Paolo Ceretti	CEO	950,000	1.00	5	0	0	0	215,745	734,255	0	0	0
Paolo Ceretti	CEO	950,000	1.02	5	0	0	0	0	0	950,000	1.02	5
Key Management		600,000	1.00	5	0	0	0	136,260	463,740	0	0	0
Key Management		600,000	1.02	5	0	0	0	0	150,000	450,000	1.02	5

Lastly, note that the Chief Executive Officer, Paolo Ceretti, and managers with strategic responsibilities were assigned 350,000 and 507,500 performance shares respectively in 2016, as shown in the table below.

Performance shares		Units outstanding at 1 January 2016			Units granted during 2016			Units exercised during 2016	Units lapsed/cancelled during 2016	Units outstanding at 31 December 2016		
		Beneficiary	Position	Number of Units	Units Price	Average expiry date	Number of Units	Units Price	Average expiry date	Number of Units	Number of Units	Units Price
Paolo Ceretti	CEO	120,000	1,60	3	0	0	0	33,768	86,232	0	0	0
Paolo Ceretti	CEO	120,000	1,44	3	0	0	0	0	0	120,000	1,44	3
Paolo Ceretti	CEO	250,000	1,46	4	0	0	0	0	0	250,000	1,46	4
Paolo Ceretti	CEO	0	0	0	350,000	1,19	4	0	0	350,000	1,19	4
Key Management		84,625	1,60	3	0	0	0	23,814	60,811	0	0	0
Key Management		84,625	1,44	3	0	0	0	0	24,625	60,000	1,44	3
Key Management		170,000	1,46	4	0	0	0	0	45,000	125,000	1,46	4
Key Management		150,000	1,34	4	0	0	0	0	0	150,000	1,34	4
Key Management		0	0	0	507,500	1,19	4	0	57,500	450,000	1,19	4

Management and coordination

The Parent Company is subject to the management and coordination of De Agostini S.p.A.

Key figures from the latest approved financial statements of De Agostini S.p.A. are shown below.

(In EUR)

INCOME STATEMENT	2015	2014
Revenues	3,797,087	5,021,658
Cost of production	(29,907,584)	(39,692,428)
Financial income and charges	69,764,295	120,208,697
Adjustments to value of financial assets	(20,584,377)	(14,198,409)
Extraordinary income and charges	75,662	(109,232)
Taxes for the year	10,437,375	12,106,133
Net profit	33,582,458	83,336,419

STATEMENT OF FINANCIAL POSITION	2015	2014
Unpaid subscribed capital	0	0
Non-current assets	3,294,662,337	3,214,873,613
Current assets	345,700,570	539,055,462
Accruals and deferrals	8,450,803	16,517,487
Shareholders' equity	(2,748,646,445)	(2,739,282,218)
Provisions for risks and charges	(4,959,907)	(45,193,216)
End-of-service payment provision	(666,805)	(729,385)
Payables	(882,938,906)	(970,322,415)
Accruals and deferrals	(11,601,647)	(14,919,328)

Risks

As described earlier in the Report on Operations, the Company operates through, and is structured as, two business areas, Private Equity Investment and Alternative Asset Management.

The risks set out below stem from a consideration of the characteristics of the market and the Company's operations, and the main findings of a risk assessment, and from periodic monitoring, including that carried out through the regulatory policies adopted by the Group. There could, however, be risks that are currently unidentified or not considered significant that could have an impact on the Company's operations.

The Company has adopted a modern corporate governance system that provides effective management of the complexities of its operations and enables its strategic objectives to be achieved. Furthermore, the assessments conducted by the organisational units and the directors confirm both the non-critical nature of these risks and uncertainties and the financial solidity of the Company.

A. Contextual risks

A.1. Risks relating to general economic conditions

The operating performance and financial position of the company are affected by the various factors that make up the macroeconomic environment, including increases or decreases in GDP, investor and consumer confidence, interest rates, inflation, the costs of raw materials and unemployment.

The ability to meet medium- to long-term objectives could be affected by general economic trends, which could slow the development of sectors the Group has invested in and, at the same time, the business of the investee companies.

A.2. Socio-political events

In line with its strategic growth guidelines, one of the Company's activities is private equity investment in companies and funds in different jurisdictions and countries around the world, which, in turn, invest in a number of countries and geographical areas. The Company may have invested directly and indirectly in foreign countries whose social, political and economic conditions put the achievement of its investment objectives at risk.

A.3. Regulatory changes

Many of the Company's investee companies conduct their operations in highly regulated sectors and markets. Any changes to or developments in the legislative or regulatory framework that affect the costs and revenues structure of investee companies or the tax regime applied, could have negative effects on the company's financial results, and necessitate changes in the Company's strategy.

To combat this risk, the Company has established procedures to constantly monitor sector regulation and any changes thereto, in order to seize business opportunities and respond to any changes in the prevailing legislation and regulations in good time.

A.4. Performance of the financial markets

The Company's ability to meet its strategic and management objectives could depend on the performance of public markets. A negative trend on the public markets could have an effect on the private equity sector in general, making investment and divestment transactions more complex, and on the Company's ability to increase the NAV of investments in particular.

The value of shareholdings held directly or indirectly through funds in which the Company has invested could be affected by factors such as comparable transactions concluded on the market, sector multiples and market volatility.

These factors that cannot be directly controlled by the company are constantly monitored in order to identify appropriate response strategies that involve both the provision of guidance for the management of investee companies, and the investment and value enhancement strategy for the assets held.

A.5. Exchange rates

Holding investments in currencies other than the euro exposes the Company to changes in exchange rates between currencies.

A.6. Interest rates

Ongoing financing operations that are subject to variable interest rates could expose the Company to an increase in related financial charges, in the event that the reference interest rates rise significantly.

The Company has established appropriate strategies to hedge against the risk of fluctuations in interest rates. Given the partial hedge of the underlying, the Company classifies these securities as speculative instruments, even though they are put in place for hedging purposes.

B. Strategic risks

B.1. Concentration of the Private Equity investment portfolio

The Private Equity investment strategy adopted by the Company includes:

- direct investments
- indirect investments (in funds)

Within this strategy, the Company's overall profitability could be adversely affected by an unfavourable trend in one or a few investments, if there were insufficient risk diversification, resulting from the excessive concentration of investment in a small number of assets, sectors, countries, currencies or of indirect investments in funds with limited investment targets/types of investment.

To combat these risk scenarios, the Company pursues an asset allocation strategy intended to create a balanced portfolio with a moderate risk profile, investing in attractive sectors and in companies with an appealing current and future risk/return ratio.

Furthermore, the combination of direct and indirect investments, which, by their nature, provide a high level of diversification, helps reduce the level of asset concentration.

B.2. Concentration of Alternative Asset Management activities

In the Alternative Asset Management business, events could arise as a result of excessive concentration that would hinder the achievement of the level of expected returns. These events could be due to:

- Private equity funds
 - concentration of the management activities of asset management companies across a limited number of funds, in the event that one or more funds decides to cancel its asset management mandate;
 - concentration of the financial resources of the funds managed across a limited number of sectors and/or geographical areas, in the event of a currency, systemic or sector crisis;
 - for closed-end funds, the concentration of commitment across just a few subscribers.
- Real estate funds
 - concentration of real estate present in the portfolio of managed funds in a few cities and/or in limited types of property (management/commercial), in the event of a crisis in the property market concerned;
 - concentration in respect of certain major tenants, if they were to withdraw from the rental contracts, which could lead to a vacancy rate that would have a negative impact on the funds' financial results and the valuation of the properties managed;
 - concentration of the maturities of numerous real estate funds within a narrow timeframe, with related high availability of property on the market, leading to a decrease in property values and an increase in selling times.

For each of the risk scenarios outlined above, the Company has defined and implemented appropriate strategies that include strategic, operational and management aspects, as well as a system monitoring the level of diversification of Alternative Asset Management assets.

B.3. Key resources (governance/organisation)

The success of the Company depends to a large extent on its executive directors and key management figures, their ability to efficiently manage the business and the normal activities of individual Group companies, as well as knowledge of the market and the professional relationships established.

The departure of one or more of these key resources, without a suitable replacement being found, as well as an inability to attract and retain new and qualified resources, could impact growth targets and have a negative effect on the Group's operating performance and financial results.

To mitigate this risk, the Group has put in place HR management policies that correspond closely to the needs of the business, and incentive policies that are periodically reviewed, in light of, among other things, the general economic climate and the results achieved by the Group.

C. Operating risks

C.1. Investment operations

Investment operations conducted by the Company are subject to the risks typical of private equity activities, such as an accurate valuation of the target company and the nature of the transactions carried out, which require the acquisition of strategic shareholdings, but not controlling interests, governed by appropriate shareholders' agreements.

The Company implements a structured process of due diligence on target companies, which requires the involvement of the different levels of group management involved and the careful definition of shareholders' pacts in order to conclude agreements in line with the investment strategy and the risk profile defined by the Company.

C.2. Compliance with covenants

Some investment operations were concluded using financial leverage to invest in the target companies. For financing contracts signed by investee companies, specific covenants backed by real guarantees are in place; failure to comply with these could necessitate recapitalisation operations for investee companies and lead to an increase in financial charges relating to debt refinancing. Failure to comply with covenants attached to loans could have negative effects on both the financial situation and operations of investee companies, and the value of the investment.

The Company constantly monitors the significant reference parameters for the financial obligations taken on by investee companies, in order to identify any unexpected variance in good time.

C.3. Divestment operations

The Company invests over a medium- to long-term horizon.

Over the investment management period, external situations could arise that might have a significant impact on the operating results of the investee companies and, consequently, on the value of the investment itself. Furthermore, in the case of co-investment, guiding the management of an investee company could prove problematic or infeasible, and it may ultimately prove impossible to dispose of the stakes held due to lock-up clauses.

The divestment strategy could therefore be negatively affected by various factors, some of which cannot be foreseen at the time the investments are made. There is therefore no guarantee that expected earnings will be realised, given the risks arising from the investments made.

To combat these risk situations, the Company has defined a process to monitor the performance of its investee companies, facilitated by its representation on the management bodies of significant investee companies, with a view to identifying any critical situations in good time.

C.4. Funding risk

The income flows expected from the Alternative Asset Management business depend on the capacity of the asset management companies in which the Company invests to stabilise/grow their assets under management.

In this environment, fundraising activities could be harmed both by external factors, such as the continuation of the global economic crisis or the trend in interest rates, and internal factors, such as bad timing in respect of fundraising activities by the asset management companies, or the departure of key managers from the companies.

The Company has established appropriate risk management strategies in relation to fund raising, with a view to both involving new investors and retaining current investors.

Significant events after the end of 2016

No significant events have taken place since the end of 2016.

Further information

In accordance with the provisions of IAS 10, the Company has authorised the publication of these Financial Statements within the terms set by the laws in force.

Atypical or unusual transactions

In 2016, there were no atypical or unusual transactions as defined by Consob Communication 6064293 of 28 July 2006.

Significant non-recurring events and transactions

In 2016, the Company did not undertake any significant non-recurring transactions as defined by the above-mentioned Consob Communication.



**STATEMENT OF RESPONSIBILITIES FOR
THE ANNUAL FINANCIAL STATEMENTS
PURSUANT TO ARTICLE 154-BIS OF
LEGISLATIVE DECREE 58/98**

Statement of responsibilities for the Annual Financial Statements pursuant to article 154-bis of Legislative Decree 58/98

The undersigned, Paolo Ceretti, as Chief Executive Officer, and Manolo Santilli, as the manager responsible for preparing the accounting statements, hereby certify, pursuant to art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998 that, based on the characteristics of the Company, the administrative and accounting procedures for preparing the Annual Financial Statements during the year were suitable and effectively applied.

The assessment as to the suitability of the administrative and accounting procedures for preparing the Financial Statements for the Year Ending 31 December 2016 was based on a process established by DeA Capital S.p.A. in keeping with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is the generally accepted reference framework at the international level.

Note that in this regard, as described in the Notes to the Financial Statements, a significant portion of the assets are investments stated at fair value. Fair values were determined by directors based on their best estimate and judgement using the knowledge and evidence available at the time the Financial Statements were prepared. However, due to objective difficulties in making assessments and the absence of a liquid market, the values assigned to such assets could differ, and in some cases significantly, from those that could be obtained when the assets are sold.

The undersigned further certify that the Financial Statements to 31 December 2016:

- correspond to the Company's accounting records;
- have been prepared in compliance with the International Financial Reporting Standards adopted by the European Union, and the measures issued to implement art. 9 of Legislative Decree 38/2005;
- to the best of their knowledge, provide a true and fair view of the operating performance and financial position of the issuer.

The Report on Operations contains a reliable analysis of operating performance and results and of the situation of the issuer and all companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

9 March 2017

Paolo Ceretti
Chief Executive Officer

Manolo Santilli
***Manager responsible for preparing
the Company's accounts***

Information pursuant to art. 149-duodecies of the Consob Issuer Regulations

The table below was prepared in accordance with art. 149-duodecies of the Consob Issuer Regulations and reports the fees for 2016 for auditing and other services provided by the independent auditors and entities belonging to the independent auditors' network. The fees reported below do not include VAT and out-of-pocket expenses.

(EUR thousand)	Company providing the service	Beneficiary	Compensation paid for FY 2015
Audit	PricewaterhouseCoopers S.p.A.	DeA Capital S.p.A.	55
Total			55



**SUMMARY OF SUBSIDIARIES'
FINANCIAL STATEMENTS
TO 31 DECEMBER 2016**

(EUR thousand)	DeA Capital Real Estate	IDeA Capital Funds SGR	IDeA FIMIT SGR	IDeA Real Estate	SPC
Non-current assets	61,966	1,452	200,107	-	31
Current assets	8,176	13,380	30,176	1,060	2,959
Available-for-sale financial assets - non-current portion	-	-	-	-	-
Consolidated assets	70,141	14,832	230,282	1,060	2,990
Shareholders' equity	69,924	6,439	204,674	687	151
Non-current liabilities	-	1,137	10,738	-	407
Current liabilities	217	7,256	14,870	373	2,433
Consolidated liabilities	70,141	14,832	230,282	1,060	2,990
Alternative asset management fees	-	20,724	40,261	-	-
Service revenues	-	-	-	226	781
Other investment income/charges	11,464	34	(1,118)	-	-
Other income	0	15	175	(0)	61
Personnel costs	(14)	(8,819)	(15,546)	(357)	(416)
External service costs	(158)	(5,801)	(8,260)	(1,313)	(418)
Depreciation and amortisation	-	(159)	(8,527)	-	(6)
Other charges	(0)	(1)	(4,388)	(51)	(14)
Financial income	0	125	8	0	0
Financial charges	(0)	(0)	(49)	(5)	(54)
Taxes	331	(2,369)	(1,344)	196	(3)
Profit/(loss) for the period from held-for-sale operations	-	-	-	-	-
Net profit/(loss)	11,622	3,750	1,213	(1,304)	(69)



**INDEPENDENT
AUDITORS' REPORT**

**INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010**

To the Shareholders of
DeA Capital SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the DeA Capital Group, which comprise the statement of financial position as of 31 December 2016, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in shareholders' equity for the year then ended and the related notes, which include a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of DeA Capital SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 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 consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of 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 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 the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wührer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 01156771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felisenti 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the DeA Capital Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Report on compliance with other laws and regulations

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

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

Milan, 29 March 2017

PricewaterhouseCoopers S.p.A.

Signed by

Giovanni Ferraioli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

**INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010**

To the Shareholders of
DeA Capital SpA

Report on the financial statements

We have audited the accompanying financial statements of DeA Capital SpA, which comprise the statement of financial position as of 31 December 2016, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in shareholders' equity for the year then ended and the related notes, which include a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of DeA Capital SpA are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 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 audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of 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 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 the directors, as well as evaluating the overall presentation of the financial statements.

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

PricewaterhouseCoopers SpA

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of DeA Capital SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Report on compliance with other laws and regulations

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

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

Milan, 29 March 2017

PricewaterhouseCoopers SpA

Signed by

Giovanni Ferraioli
(Partner)

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**REPORT OF THE BOARD OF
STATUTORY AUDITORS
(ORIGINAL AVAILABLE IN
ITALIAN VERSION ONLY)**

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